

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Clare	County Clare and Isabella
Fiscal Year End June 30, 2006	Opinion Date November 5, 2007	Date Audit Report Submitted to State December 14, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

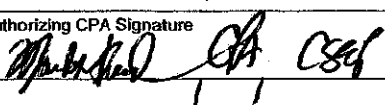
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2

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Internal Audit Committee Letter	
Certified Public Accountant (Firm Name) Burnside & Lang, P.C.		Telephone Number (989) 835-7721	
Street Address 5915 Eastman Ave, Suite 100		City Midland	State MI
Zip 48640			
Authorizing CPA Signature 	Printed Name Mark R. Freed, CPA CSEP	License Number 1101012221	

**CITY OF CLARE**  
**CLARE AND ISABELLA COUNTIES, MICHIGAN**

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**FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2006**

CITY OF CLARE

CITY COMMISSION

Pat Humphrey	Mayor
Jim Allen	Mayor Pro Tem
Renee Crawford	Commissioner
Bill Horwood	Commissioner
Steven Kingsbury	Commissioner

MANAGEMENT

Ken Hibl	City Manager
Kay Haven	City Clerk
Neil Hammerbacher	Finance Director & Treasurer

CITY POPULATION–2000 CENSUS  
3,173

STATE EQUALIZED VALUE–2005  
\$103,713,296

STATE TAXABLE VALUE–2005  
\$82,572,612

**CITY OF CLARE  
CLARE AND ISABELLA COUNTIES, MICHIGAN  
AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2006**

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Independent Auditors' Report

Members of the City Commission  
City of Clare  
Clare and Isabella, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Clare, Clare and Isabella County, Michigan (the "City"), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Clare, Clare and Isabella Counties, Michigan, as of June 30, 2006, and the respective changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2007, on our consideration of the City of Clare's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 41 through 44, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clare's basic financial statements. The combining financial statements on pages 45 through 48 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Bernice R. Long, C.P.A.*

Midland, Michigan  
November 5, 2007

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the City of Clare's financial performance provides an overview of the City financial activities for the fiscal year that ended on June 30, 2006. Please read it in conjunction with the financial statements following this section.

The intent and objective of providing the management discussion and analysis is to provide the reader a quick summary of salient points and highlights of the City's financial statements while concurrently offering interested parties an appreciation of the City as a complex financial organization providing valuable services to the residents of Clare. The City continues to evolve in response to citizen desires, economic conditions, and decisions of the elected and appointed officials charged with governing the community.

The report presents information on both governmental activities and business-type activities. The governmental activities include the basic operations with City Hall, the Department of Public Works, the Parks and Recreation Department, Public Safety (police and fire protection), the City's airport, community development and related debt service and capital outlay. The business-type activities include the City's public utilities (water and wastewater).

### Financial Highlights

- The City's combined net assets decreased slightly by \$157,359 or 1.23% ending the fiscal year with a balance of \$12,661,516.
- The City's governmental activities net assets decreased by \$549,520 during the fiscal year with an ending balance of \$7,510,968.
- The business-type activities net assets increased \$392,161 or 8.24% to \$5,150,548 from positive operations of the City's water and sewer services.
- The City's undesignated General Fund Balance decreased slightly (1.69%) from a balance of \$874,718 at the end of the preceding fiscal year to \$859,923 at the conclusion of the current fiscal year.
- The City's Sewer Fund's net assets increased \$291,764 at the end of the current fiscal year with net assets totaling \$3,767,725. Similarly, the net assets of the Water Fund increased \$100,397 to a fiscal year-end balance of \$1,382,823.
- The City's total outstanding debt (excluding component units) decreased \$245,913 with a fiscal year-end balance of \$3,546,119.
- At the close of the fiscal year the City's unrestricted net assets in its governmental activities was \$1,786,664, an increase of \$386,003 or 27.56%. The unrestricted net assets in the City's business-type activities (water and sewer) were \$1,497,683 as of the end of the fiscal year, an increase of \$169,159 or 12.83%.



## **Overview of the Financial Statements**

This annual report consists of these elements: management's discussion and analysis (this section); basic financial statements; and required supplementary information.

The basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that provide both long and short-term information about the City's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the City government and report the City's operation in more detail than the government-wide statements.

### Government-wide Statements

Government-wide statements report information about the City as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all government assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when the cash was received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets — the difference between the City's total assets and total liabilities — is one way to measure the City's financial health or position.

Over time, increases or decreases in the City's net assets are an indicator whether its financial health is improving or deteriorating, respectively. This section will become more significant in future years with data trends from multiple accounting periods.

To assess the overall health of the City one also needs to consider additional non-financial factors such as changes in the City property tax base, the economy and the rate of growth.

The government-wide financial statements of the City are divided into two categories:

Governmental activities — The City's basic services are included here, such as police, fire protection, public works, parks, recreation, airport operations, community development, solid waste disposal, property assessment, finance and administration. Property taxes and state revenue sharing finance most of these activities. Fees for programs, licenses and permits are also a source of revenue.

Business-type activities — The City of Clare charges user fees to cover the cost of providing public water services and to finance the operations of the public wastewater utility operated by the City.

### Fund Financial Statements

The fund financial statements provide detailed information about the City's significant funds. Funds are accounting categories that municipalities use to keep track of specific sources of funding and spending for particular purposes.

The City has three kinds of funds:

*Governmental funds* — Most of the City's basic services are included in governmental funds that focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, governmental fund statements tell how general government services such as public safety and public works are financed in the short term as well as what future spending remains. Because this information does not encompass the additional long-term focus of government-wide statements, additional information is provided at the bottom of the governmental fund statements to explain the differences between them.

*Proprietary funds* — Services for which the City charges users and other types of fees are reported in proprietary funds. For the City of Clare these include public water and sewer services. Proprietary fund statements provide short and long-term financial information about these activities that the City operates like a business.

*Fiduciary funds* — The City is a trustee, or fiduciary, for the collection of all property taxes for the City and for all taxing districts, including the local K-12 school district, the intermediate school district, a community college, two counties, and the State of Michigan. All the City's fiduciary activities are reported in a separate statement of fiduciary net assets. These activities are excluded from the City's government-wide financial statements as these assets cannot be used to finance the operations of the city.

## Financial Analysis of the City as a Whole

Unrestricted Net Assets — The City's combined unrestricted assets increased by \$555,162 in the reporting period ending June 30, 2006. This table describes the net assets of the City. For complete, detailed financial statements refer to page nine.

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets:						
Current assets	\$2,073,572	\$2,010,609	\$1,963,678	\$1,952,747	\$4,037,250	\$ 3,963,356
Capital assets	6,733,423	7,244,173	6,164,864	6,280,863	12,898,288	13,525,036
Total assets	8,806,995	9,254,782	8,128,543	8,233,610	16,935,538	17,488,392
Liabilities:						
Current liabilities	273,827	216,114	406,540	390,407	680,367	606,521
Long-term liabilities	1,022,200	978,180	2,571,455	3,084,816	3,593,655	4,062,996
Total liabilities	1,296,027	1,194,294	2,977,995	3,475,223	4,274,022	4,669,517
Net Assets:						
Invested in capital assets –						
Net of related debt	5,724,304	6,328,141	3,627,865	3,404,863	9,352,169	9,733,004
Restricted	-	331,686	25,000	25,000	25,000	356,686
Unrestricted	1,786,664	1,400,661	1,497,683	1,328,524	3,284,347	2,729,185
Total net assets	\$7,510,968	\$ 8,060,488	\$5,150,548	\$4,758,387	\$12,661,516	\$12,818,875

## Changes in Net Assets

The City's 2005/2006 total revenues were \$5,098,129 and total expenses were \$4,778,354 resulting in an overall increase of net assets of \$319,775. The following table shows the changes of net assets for the year ending June 30, 2006. For complete, detailed financial statements refer to page ten.

	Governmental Activities		Business-Type Activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Program revenues:						
Charges for services	\$984,273	\$ 506,300	\$1,459,569	\$1,197,315	\$2,443,842	\$1,703,615
Operating grants and contributions	239,000	459,652	-	-	239,000	459,652
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes and related fees	1,351,782	1,288,809	-	-	1,351,782	1,288,809
State aid	583,064	356,610	-	-	583,064	356,610
Interest earnings	58,498	66,760	60,509	56,379	119,007	123,139
Other	201,680	42,781	159,754	216,983	361,434	259,764
Transfers	(35,319)	(104,877)	35,319	104,877	-	-
Total revenues	<u>3,382,978</u>	<u>2,616,035</u>	<u>1,715,151</u>	<u>1,575,554</u>	<u>5,098,129</u>	<u>4,191,589</u>
Program Expenses:						
General government	1,262,471	646,183	-	-	1,262,471	646,183
Public safety	987,138	928,483	-	-	987,138	928,483
Public works	833,295	902,774	-	-	833,295	902,774
Community development	40,554	21,707	-	-	40,554	21,707
Recreation and culture	331,906	349,174	-	-	331,906	349,174
Sewer	-	-	832,963	772,828	832,963	772,828
Water	-	-	490,027	438,588	490,027	438,588
Total program expenses	<u>3,455,364</u>	<u>2,848,321</u>	<u>1,322,990</u>	<u>1,211,416</u>	<u>4,778,354</u>	<u>4,059,737</u>
Change in net assets	<u>(72,386)</u>	<u>(232,286)</u>	<u>392,161</u>	<u>364,138</u>	<u>319,775</u>	<u>131,852</u>
Net assets – beginning	<u>7,583,354</u>	<u>8,292,774</u>	<u>4,758,387</u>	<u>4,394,249</u>	<u>12,341,741</u>	<u>12,687,023</u>
Net assets - ending	<u>\$7,510,968</u>	<u>\$8,060,488</u>	<u>\$5,150,548</u>	<u>\$4,758,387</u>	<u>\$12,661,516</u>	<u>\$12,818,875</u>

## Governmental Activities

Revenues for the City's governmental activities totaled \$3,382,978, which equated to an increase in governmental activity revenues of \$766,943, or 29.32% from the previous year's revenues in this category. This increase was produced by an increase in property taxes, an increase in state revenue and increase in other revenue sources.

## Proprietary Funds

The City's business-type activities revenues increased \$139,597 during this fiscal reporting period while total expenses only increased \$111,574. This positive financial results for the fiscal year further increased total net assets for the City's business-type activities by \$392,161.

## Financial Analysis of the City's Funds

As the City completed its fiscal year its governmental funds reported a combined fund balance of \$1,516,718, an increase of \$67,878 or 4.68%.

## **General Fund Budgetary Highlights**

A detailed General Fund budget is adopted by the City Council on an annual basis following a series of scheduled publicly held budget workshops and appropriately noticed public hearings. A number of budget amendments were made throughout the year to adjust or compensate for unanticipated operational and emergency-type expenses and to transfer funds from one operating fund to another.

The City's ending General Fund balance increased \$64,761 to \$943,440.

## **Capital Assets**

The City had net investments of \$12,898,288 in capital assets at the end of this fiscal reporting period. These assets include municipally-owned buildings and land, public safety equipment (police and firefighting equipment and vehicles), recreational facilities and water and sewer infrastructure (water towers, pump stations, underground distribution and collection systems, etc.). While the City has acquired the software to inventory its public roads and sidewalks, the actual inventory has not been completed. Once this task is fulfilled, the reported assets of the City will increase significantly.

## **Long Term Debt**

At year end, the City (excluding its component units) had \$3,546,119 in outstanding bonds and notes, a decrease of \$245,913 from the previous fiscal year. Bond indebtedness is the result of bonds sold by the City to finance various public improvement projects over the years, to include the construction of wastewater treatment facilities, expansion of the existing sanitary sewer and water distribution systems and most recently the construction of a new public safety building.

## **Economic Factors and Next Year's Budget**

### Economic Factors

- State revenue sharing continues to be a concern with potential downward trends being anticipated as the state government continues to work on its budget deficits. Elected officials and staff of the City of Clare recognize the impact of this issue and have continued to proactively increase other revenue sources, reduce overall debt and remaining vigilant in reducing overall expenses.
- A number of local industrial firms continue to make significant investments in their respective businesses in Clare – most notably, JD Metalworks, Letherer Truss, and Stageright have continued to make significant commitments to future expansion and further development of their existing manufacturing ventures. The City's primary industrial park is now at maximum capacity and additional property must be purchased to continue the City's future industrial development.
- The local housing market has remained relatively unchanged with only a handful of new housing starts during the City's fiscal year.
- The cost of employee health care is expected to continue to increase at a rate exceeding inflation.

## **2006/2007 Budget**

The City adopted its 2006/2007 budget on June 5, 2006. Approved appropriations were commensurate with those of the City's 2005/2006 adopted budget. As a general rule, only consumer price index and labor contract mandated increases were made in the new budget.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT TEAM**

This financial report is designed to provide the citizens of the City of Clare, taxpayers, customers, investors and creditors with a general overview of the City's finances. It is intended to demonstrate the City's accountability for the funds it receives. If you have any questions about this report or would like additional information please contact City Manager Ken Hibl or Treasurer and Finance Director Steven J. Kingsbury.

City of Clare  
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Clare, Michigan 48617  
Telephone: (989) 386-7541  
Fax: (989) 386-4508  
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Email: [skingsbury@cityofclare.org](mailto:skingsbury@cityofclare.org)  
Website: [www.cityofclare.org](http://www.cityofclare.org)

**CITY OF CLARE**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**June 30, 2006**

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	\$ 383,508	\$ 32,524	\$ 416,032	\$ 163,919
Investments	1,050,000	1,275,000	2,325,000	-
Accounts and grants receivable, net	300,610	169,173	469,783	-
Assessments receivable, net	85,966	383,455	469,421	-
Other assets	8,752	28,193	36,945	231
Due from other funds	15,465	109	15,574	-
Due from component units	47,336	-	47,336	-
Due from other governmental units	44,385	-	44,385	-
Inventory	48,315	35,826	84,141	-
Prepaid items	89,235	14,398	103,633	-
Restricted cash	-	25,000	25,000	-
Capital assets:				
Land	3,740,287	53,389	3,793,676	124,626
Construction in progress	-	44,805	44,805	-
Land improvements, net	70,080	53,591	123,671	272,252
Buildings and improvements, net	2,096,004	1,928,480	4,024,484	-
Equipment, net	111,782	123,168	234,950	13,060
Vehicles, net	715,270	-	715,270	-
Infrastructure, net	-	3,961,432	3,961,432	-
Total capital assets	6,733,423	6,164,865	12,898,288	409,938
Total assets	8,806,995	8,128,543	16,935,538	574,088
LIABILITIES				
Accounts payable	90,859	15,887	106,746	41,588
Accrued expenses	81,962	32,503	114,465	-
Due to other funds	15,025	-	15,025	-
Due to primary governmental unit	-	-	-	47,336
Due to other governmental units	13,096	-	13,096	54,772
Deferred revenue	85,966	383,455	469,421	-
Deposits and other liabilities	-	9,150	9,150	-
Long-term liabilities:				
Portion due or payable within one year:				
Bonds and contracts payable	42,000	349,000	391,000	95,000
Capital leases	30,885	-	30,885	-
Portion due or payable after one year:				
Bonds and contracts payable	868,000	2,188,000	3,056,000	515,000
Capital leases	68,234	-	68,234	-
Total liabilities	1,296,027	2,977,995	4,274,022	753,696
NET ASSETS				
Invested in capital assets, net of related debt	5,724,304	3,627,865	9,352,169	184,938
Restricted for:				
Debt service	-	25,000	25,000	-
Unrestricted	1,786,664	1,497,683	3,284,347	(364,546)
Total net assets	\$ 7,510,968	\$ 5,150,548	\$ 12,661,516	\$ (179,608)

The accompanying notes are an integral part of these financial statements.

**CITY OF CLARE**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2006**

Activities:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Total	
<b>Governmental:</b>								
General government	\$ 1,262,471	\$ 892,737	\$ 239,000	\$ -	\$ (130,734)		\$ (130,734)	
Public safety	987,138	410	-	-	(986,728)		(986,728)	
Public works	833,295	91,126	-	-	(742,169)		(742,169)	
Community development	40,554	-	-	-	(40,554)		(40,554)	
Recreation and culture	331,906	-	-	-	(331,906)		(331,906)	
Total governmental activities	3,455,364	984,273	239,000	-	(2,232,091)		(2,232,091)	
<b>Business-type:</b>								
Sewer	832,963	943,459	-	-		\$ 110,496	110,496	
Water	490,027	516,110	-	-		26,083	26,083	
Total business-type activities	1,322,990	1,459,569	-	-		136,579	136,579	
Total Primary Government	<u>\$ 4,778,354</u>	<u>\$ 2,443,842</u>	<u>\$ 239,000</u>	<u>\$ -</u>	<u>(2,232,091)</u>	<u>136,579</u>	<u>(2,095,512)</u>	
<b>Component units:</b>								
Downtown Development Authority	162,101	654	26,352	-				\$ (135,095)
Local Development Finance Authority	220,519	-	-	-				(220,519)
Total governmental-type activities	<u>\$ 382,620</u>	<u>\$ 654</u>	<u>\$ 26,352</u>	<u>\$ -</u>				<u>(355,614)</u>
General revenues:								
Property taxes and related fees					1,351,782	-	1,351,782	327,003
State aid					583,064	-	583,064	-
Interest earnings					58,498	60,509	119,007	615
Transfers					(35,319)	35,319	-	-
Miscellaneous					201,680	159,754	361,434	-
Total general revenues and transfers					<u>2,159,705</u>	<u>255,582</u>	<u>2,415,287</u>	<u>327,618</u>
Change in net assets					(72,386)	392,161	319,775	(27,996)
Net assets-beginning					<u>7,583,354</u>	<u>4,758,387</u>	<u>12,341,741</u>	<u>(151,612)</u>
Net assets-ending					<u>\$ 7,510,968</u>	<u>\$ 5,150,548</u>	<u>\$ 12,661,516</u>	<u>\$ (179,608)</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF CLARE**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**June 30, 2006**

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Fire Department</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 234,493	\$ 13,665	\$ 18,994	\$ 15,735	\$ 44,442	\$ 327,329
Investments	425,000	-	-	150,000	300,000	875,000
Accounts and grants receivable, net	268,535	-	-	28,393	-	296,928
Assessment receivable, net	34,352	11,349	27,821	-	12,444	85,966
Due from other funds	436	-	8,000	-	-	8,436
Due from component units	47,336	-	-	-	-	47,336
Due from other governmental units	-	32,796	11,589	-	-	44,385
Inventory	18,937	-	-	1,893	-	20,830
Other assets	-	-	-	8,301	451	8,752
Prepaid items	64,580	3,167	3,001	-	191	70,939
Total assets	<u>\$ 1,093,669</u>	<u>\$ 60,977</u>	<u>\$ 69,405</u>	<u>\$ 204,322</u>	<u>\$ 357,528</u>	<u>\$ 1,785,901</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 62,835	\$ 1,492	\$ 1,912	\$ 5,325	\$ 5,256	\$ 76,820
Accrued expenses	39,639	2,067	3,231	33,173	166	78,276
Due to other funds	307	13,401	1,317	-	-	15,025
Due to other governmental units	13,096	-	-	-	-	13,096
Deferred revenue	34,352	11,349	27,821	-	12,444	85,966
Total liabilities	<u>150,229</u>	<u>28,309</u>	<u>34,281</u>	<u>38,498</u>	<u>17,866</u>	<u>269,183</u>
Fund balances:						
Reserved for:						
Inventories	18,937	-	-	1,893	-	20,830
Prepaid expenditures	64,580	3,167	3,001	2,921	-	73,669
Unreserved and undesignated	859,923	29,501	32,123	161,010	339,662	1,422,219
Total fund balances	<u>943,440</u>	<u>32,668</u>	<u>35,124</u>	<u>165,824</u>	<u>339,662</u>	<u>1,516,718</u>
Total liabilities and fund balances	<u>\$ 1,093,669</u>	<u>\$ 60,977</u>	<u>\$ 69,405</u>	<u>\$ 204,322</u>	<u>\$ 357,528</u>	<u>\$ 1,785,901</u>

The accompanying notes are an integral part of these financial statements.



**CITY OF CLARE**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**June 30, 2006**

Total fund balances for governmental funds (Exhibit 4) \$ 1,516,718

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	3,740,287	
Land improvements, net of \$6,587 accumulated depreciation		70,080	
Buildings and improvements, net of \$697,283 accumulated depreciation		2,096,004	
Equipment, net of \$763,993 accumulated depreciation		111,782	
Vehicles, net of \$865,840 accumulated depreciation		715,270	
Total capital assets		6,733,423	6,733,423

The internal service funds (see Exhibit 6) are used by the City to charge the cost of operating a data processing service and a mobile equipment service to individual funds.

The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The internal service fund's unrestricted net assets are: 269,946

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.  
Balances at June 30, 2006 are:

Capital lease obligation	\$	(99,119)	
Installment purchase contract		(135,000)	
2004 General Obligation Limited Tax Bond		(775,000)	(1,009,119)

Total net assets of governmental activities (Exhibit 2) \$ 7,510,968

The accompanying notes are an integral part of these financial statements.

**CITY OF CLARE**  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES**  
**For the Year Ended June 30, 2006**

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Fire Department</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>REVENUES</b>						
Property taxes and related fees	\$ 1,282,973	\$ -	\$ 51,613	\$ -	\$ 17,196	\$ 1,351,782
Licenses and permits	20,160	-	-	-	-	20,160
Federal aid	188,406	-	-	-	-	188,406
State aid	355,364	157,481	70,219	-	-	583,064
Charges for services	309,539	-	-	161,660	8,710	479,909
Interest and dividends	37,943	870	2,480	3,233	8,621	53,147
Fines and forfeits	18,736	-	-	-	-	18,736
Special assessments, net	41,163	946	4,263	-	5,858	52,230
Donations	36,564	-	-	14,030	-	50,594
Miscellaneous	103,350	74,568	16,919	1,380	43	196,260
Total revenues	<u>2,394,198</u>	<u>233,865</u>	<u>145,494</u>	<u>180,303</u>	<u>40,428</u>	<u>2,994,288</u>
<b>EXPENDITURES</b>						
General government	618,303	-	-	-	-	618,303
Public safety	717,228	-	-	131,983	-	849,211
Public works	254,675	167,502	204,679	-	33,452	660,308
Community development	40,554	-	-	-	-	40,554
Recreation and culture	300,049	-	-	-	-	300,049
Capital outlay	209,558	-	-	240,264	-	449,822
Debt service	-	-	-	40,461	48,218	88,679
Total expenditures	<u>2,140,367</u>	<u>167,502</u>	<u>204,679</u>	<u>412,708</u>	<u>81,670</u>	<u>3,006,926</u>
Excess (deficiency) of revenues over expenditures	<u>253,831</u>	<u>66,363</u>	<u>(59,185)</u>	<u>(232,405)</u>	<u>(41,242)</u>	<u>(12,638)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from debt obligations	-	-	-	135,000	-	135,000
Transfers-in	-	-	57,236	102,592	49,218	209,046
Transfers-out	<u>(189,070)</u>	<u>(36,008)</u>	<u>-</u>	<u>(19,287)</u>	<u>-</u>	<u>(244,365)</u>
Total other financing sources and uses	<u>(189,070)</u>	<u>(36,008)</u>	<u>57,236</u>	<u>218,305</u>	<u>49,218</u>	<u>99,681</u>
Net change in fund balances	64,761	30,355	(1,949)	(14,100)	7,976	87,043
Fund balances-beginning	<u>878,679</u>	<u>2,313</u>	<u>37,073</u>	<u>179,924</u>	<u>331,686</u>	<u>1,429,675</u>
Fund balances-ending	<u>\$ 943,440</u>	<u>\$ 32,668</u>	<u>\$ 35,124</u>	<u>\$ 165,824</u>	<u>\$ 339,662</u>	<u>\$ 1,516,718</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF CLARE**  
**RECONCILIATION OF THE STATEMENT OF REVENUE,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**June 30, 2006**

Net change in fund balances - total governmental funds (Exhibit 5)	\$	87,043
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$449,822) exceeded depreciation (\$356,949) in the current period.		92,873
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Debt proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Debt issued:		
Installment Purchase	\$	(135,000)
Repayments:		
2004 General Obligation Limited Tax Bond	13,000	
Capital lease obligation	28,913	(93,087)

The internal service funds (see exhibit 7) are used by the City to charge the costs of operating a data processing service and a mobile equipment service to individual funds. The net change of the internal service funds is reported within the governmental activities.		(159,215)
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Change in net assets of governmental activities (Exhibit 3)	\$	(72,386)
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The accompanying notes are an integral part of these financial statements.

**CITY OF CLARE**  
**PROPRIETARY FUND STATEMENT OF NET ASSETS**  
**June 30, 2006**

	<b>Enterprise Funds</b>			<b>Internal Service Funds</b>
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Total</b>	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 29,840	\$ 2,684	\$ 32,524	\$ 56,179
Investments	825,000	450,000	1,275,000	175,000
Accounts receivable, net	122,798	46,375	169,173	3,682
Assessments receivable	321,817	61,638	383,455	-
Due from other funds	61	48	109	7,029
Other receivables	2,180	26,013	28,193	-
Inventory	15,949	19,877	35,826	27,485
Prepaid items	8,183	6,215	14,398	18,296
Total current assets	1,325,828	612,850	1,938,678	287,671
Noncurrent assets:				
Restricted cash	25,000	-	25,000	-
Capital assets:				
Land	10,757	42,632	53,389	85,000
Construction in progress	5,365	39,440	44,805	-
Land improvements, net	53,591	-	53,591	-
Buildings and improvements, net	1,880,016	48,464	1,928,480	192,996
Equipment, net	121,968	1,200	123,168	193,011
Vehicles, net	2,847,466	1,113,966	3,961,432	126,754
Total capital assets	4,919,163	1,245,702	6,164,865	597,761
Total assets	6,269,991	1,858,552	8,128,543	885,432
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	12,013	3,874	15,887	14,039
Accrued expenses	22,286	10,217	32,503	3,686
Deposits and other liabilities	9,150	-	9,150	-
Deferred revenue	321,817	61,638	383,455	-
Bonds and contracts payable	324,000	25,000	349,000	-
Total current liabilities	689,266	100,729	789,995	17,725
Noncurrent liabilities				
Bonds and contracts payable	1,813,000	375,000	2,188,000	-
Total noncurrent liabilities	1,813,000	375,000	2,188,000	-
Total liabilities	2,502,266	475,729	2,977,995	17,725
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	2,782,163	806,262	3,627,865	597,761
Restricted for debt obligations	25,000	-	25,000	-
Unrestricted	960,562	576,561	1,497,683	269,946
Total net assets	\$ 3,767,725	\$ 1,382,823	\$ 5,150,548	\$ 867,707

The accompanying notes are an integral part of these financial statements.

**CTTY OF CLARE**  
**PROPRIETARY FUND STATEMENT OF REVENUE, EXPENSES,**  
**AND CHANGES IN NET ASSETS**  
**For the Year Ended June 30, 2006**

	<b>Enterprise Funds</b>			<b>Internal Service Funds</b>
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Total</b>	<b>Funds</b>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 910,933	\$ 355,994	\$ 1,266,927	\$ 408,187
Gain (loss) on sale of assets	-	-	-	5,051
Miscellaneous	19,101	19,759	38,860	5,420
Total operating revenues	930,034	375,753	1,305,787	418,658
<b>OPERATING EXPENSES</b>				
Salaries and wages	111,076	97,558	208,634	85,275
Payroll taxes	8,810	7,725	16,535	6,685
Employee benefits	31,517	23,178	54,695	38,632
Retirement	11,287	9,619	20,906	8,888
Supplies	32,788	3,793	36,581	48,416
Postage	-	-	-	2,529
Professional and contracted services	22,436	14,833	37,269	36,411
Insurance	6,159	2,301	8,460	22,971
Telephone and communications	2,777	2,331	5,108	928
Travel, meals and lodging	-	-	-	-
Professional development	1,633	2,850	4,483	520
Utilities	69,966	23,452	93,418	15,800
Repair and maintenance	51,275	54,314	105,589	89,425
Equipment rental	97,002	71,649	168,651	-
Miscellaneous	290	-	290	639
Depreciation	277,288	46,326	323,614	226,105
Total operating expenses	724,304	359,929	1,084,233	583,224
Operating income (loss)	205,730	15,824	221,554	(164,566)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Special assessments	45,234	21,450	66,684	-
Investment earnings	42,964	17,545	60,509	5,351
Other revenue	13,425	140,357	153,782	-
Other expenses	-	(107,659)	(107,659)	-
Interest expense	(108,658)	(22,439)	(131,097)	-
Total nonoperating revenue (expenses)	(7,035)	49,254	42,219	5,351
Income (loss) before transfers	198,695	65,078	263,773	(159,215)
Contributions from other governmental units	93,070	-	93,070	-
Transfers in	-	35,319	35,319	-
Changes in net assets	291,765	100,397	392,162	(159,215)
Total net assets-beginning	3,475,961	1,282,426	4,758,387	1,026,922
Total net assets-ending	\$ 3,767,726	\$ 1,382,823	\$ 5,150,549	\$ 867,707

The accompanying notes are an integral part of these financial statements.

**CITY OF CLARE**  
**PROPRIETARY FUND STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2006**

	Enterprise Funds			Internal Service Funds
	Sewer Fund	Water Fund	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 894,879	\$ 390,869	\$ 1,285,748	\$ 406,403
Payments to suppliers	(184,814)	(101,789)	(286,603)	(260,238)
Payments to employees	(163,707)	(135,514)	(299,221)	(139,014)
Internal activity-payments from (to) other funds	(97,002)	(71,649)	(168,651)	-
Net cash provided (used) by operating activities	449,356	81,917	531,273	7,151
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Contributions from other governmental units	93,070	-	93,070	-
Nonoperating revenue (expense)	13,425	32,698	46,123	-
Interfund loans-proceeds and collections	(61)	(48)	(109)	(7,029)
Net cash provided by noncapital financing activities	106,434	32,650	139,084	(7,029)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases and construction of capital assets	(167,650)	(4,659)	(172,309)	(80,819)
Proceeds from special assessments	45,234	21,450	66,684	-
Principal paid on capital debt	(314,000)	(25,000)	(339,000)	-
Interest paid on capital debt	(108,658)	(22,439)	(131,097)	-
Net cash used by capital and related financing activities	(545,074)	(30,648)	(575,722)	(80,819)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Net purchase/sales of investments	(50,000)	(125,000)	(175,000)	100,000
Interest and dividends	42,964	17,545	60,509	5,351
Net cash provided by investing activities	(7,036)	(107,455)	(114,491)	105,351
Net increase in cash and cash equivalents	3,680	(23,536)	(19,856)	24,654
Balances-beginning of the year	51,160	26,220	77,380	31,525
Balances-end of the year	\$ 54,840	\$ 2,684	\$ 57,524	\$ 56,179
Displayed as:				
Cash and cash equivalents	\$ 29,840	\$ 2,684	\$ 32,524	\$ 56,179
Restricted cash	25,000	-	25,000	-
	\$ 54,840	\$ 2,684	\$ 57,524	\$ 56,179
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 205,730	\$ 15,824	\$ 221,554	\$ (164,566)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	277,288	46,326	323,614	226,105
Change in assets and liabilities:				
Receivables, net	(27,556)	27,954	398	(1,784)
Inventory	321	(6,623)	(6,302)	(10,640)
Prepaid items	(7,920)	(6,215)	(14,135)	(17,329)
Accounts payable	2,510	2,085	4,595	(25,101)
Accrued expenses	(1,017)	2,566	1,549	466
Net cash provided (used) by operating activities	\$ 449,356	\$ 81,917	\$ 531,273	\$ 7,151

The accompanying notes are an integral part of these financial statements.

**CITY OF CLARE**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**June 30, 2006**

	<u>General Agency Fund</u>	<u>Current Tax Collection Fund</u>	<u>Payroll Imprest Fund</u>	<u>Health Resource Account Fund</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 20,097	\$ 1,128	\$ 3,023	\$ 4,026
Other assets	-	-	20,645	-
Total assets	<u>20,097</u>	<u>1,128</u>	<u>23,668</u>	<u>4,026</u>
<b>LIABILITIES</b>				
Due to other governmental units	20,097	-	8,504	-
Due to component units	-	579	-	-
Due to other funds	-	549	-	-
Due to others	-	-	15,164	4,026
Total liabilities	<u>20,097</u>	<u>1,128</u>	<u>23,668</u>	<u>4,026</u>
<b>NET ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF CLARE**  
**COMBINING STATEMENT OF NET ASSETS - COMPONENT UNITS**  
**June 30, 2006**

	<b>Downtown Development Authority</b>	<b>Local Development Finance Authority</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 17,468	\$ 146,451	\$ 163,919
Taxes receivable	231	-	231
Due from primary governmental unit	-	-	-
Total current assets	<u>17,699</u>	<u>146,451</u>	<u>164,150</u>
Noncurrent assets:			
Capital assets:			
Land	124,626	-	124,626
Land improvements, net	272,252	-	272,252
Equipment, net	13,060	-	13,060
Total capital assets	<u>409,938</u>	<u>-</u>	<u>409,938</u>
Total assets	<u>427,637</u>	<u>146,451</u>	<u>574,088</u>
<b>LIABILITIES</b>			
Liabilities:			
Accounts payable	26,977	14,611	41,588
Due to primary governmental unit	47,336	-	47,336
Due to other governmental units	54,772	-	54,772
Bonds and contracts payable	50,000	45,000	95,000
Total current liabilities	<u>179,085</u>	<u>59,611</u>	<u>238,696</u>
Noncurrent liabilities			
Bonds and contracts payable	175,000	340,000	515,000
Total noncurrent liabilities	<u>175,000</u>	<u>340,000</u>	<u>515,000</u>
Total liabilities	<u>354,085</u>	<u>399,611</u>	<u>753,696</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	184,938	-	184,938
Unrestricted	(111,386)	(253,160)	(364,546)
Total net assets	<u>\$ 73,552</u>	<u>\$ (253,160)</u>	<u>\$ (179,608)</u>



**CITY OF CLARE**  
**COMBINING STATEMENT OF ACTIVITIES - COMPONENT UNITS**  
**Year Ended June 30, 2006**

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Downtown Development Authority	Local Development Finance Authority	Total
	<u>Expenses</u>						
Downtown Development Authority							
Community and economic development	\$ 162,101	\$ 654	\$ 26,352	\$ -	\$ (135,095)	\$ -	\$ (135,095)
Local Development Finance Authority							
Community and economic development	220,519	-	-	-	-	(220,519)	(220,519)
Total activities	<u>\$ 382,620</u>	<u>\$ 654</u>	<u>\$ 26,352</u>	<u>\$ -</u>	<u>(135,095)</u>	<u>(220,519)</u>	<u>(355,614)</u>
General revenues:							
Tax increment					171,018	155,985	327,003
Interest earnings					-	615	615
Miscellaneous					-	-	-
Total general revenues					<u>171,018</u>	<u>156,600</u>	<u>327,618</u>
Change in net assets					<u>35,923</u>	<u>(63,919)</u>	<u>(27,996)</u>
Net assets-beginning					<u>37,629</u>	<u>(189,241)</u>	<u>(151,612)</u>
Net assets-ending					<u>\$ 73,552</u>	<u>\$ (253,160)</u>	<u>\$ (179,608)</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF CLARE  
CLARE AND ISABELLA COUNTIES, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City:

**A. Reporting Entity**

The City of Clare (the “City”) is governed by an elected five-member commission. The City provides services to its various residents in many areas, including law enforcement, health and sanitation, community enrichment and development and human services. As required by GAAP, these financial statements present the City and its component units. In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, “*The Financial Reporting Entity*.”

The individual component unit discussed below is included in the City’s reporting entity because of the significance of its operational or financial relationships with the City.

**Discretely Presented Component Units**

The following component unit is reported within the “component unit” column in the combined financial statements. The discretely presented component unit is an entity that is legally separate from the City, but for which the City is financially accountable, or its relationship with the City is such that exclusion would cause the City’s financial statements to be misleading or incomplete.

Local Development Finance Authority (LDFA) - The LDFA was created to help finance local industrial development projects. The Authority’s governing body, which consists of 9 members, is selected by the City Commission. In addition, the Authority’s budget is subject to approval by the City Commission. The LDFA does not issue separate financial statements.

Downtown Development Authority (DDA) - The DDA was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority’s governing body, which consists of 12 members, is selected by the City Commission. The City Commission approves the annual budget of the DDA. The DDA does not issue separate financial statements.

**CITY OF CLARE  
CLARE AND ISABELLA COUNTIES, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Complete financial information of the individual component units can be obtained from the from the City's Finance Director.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**CITY OF CLARE  
CLARE AND ISABELLA COUNTIES, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available to finance expenditures of the fiscal period. Revenue susceptible to accrual include: property taxes, state revenue sharing, reimbursement type grants, charges for services, and interest income.

The City property tax is levied each December 1<sup>st</sup> on the taxable valuation of property (as defined by State statutes) located in the City as of the preceding December 31<sup>st</sup>.

The 2005 taxable valuation of the City totaled \$82.6 million (\$8.24 million of which relates to an Industrial Facilities Tax designation), on which ad valorem taxes levied consisted of 17.50 mills for City operating purpose, 0.75 mills for streets, 0.25 for sidewalks, and 0.75 for parks. These amounts are recognized in the General Fund, Local Street Fund and Sidewalk Replacement Fund as property taxes and related fees.

The government reports the following major funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**CITY OF CLARE  
CLARE AND ISABELLA COUNTIES, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Major Street Fund accounts for the receipt and expenditures of State motor fuel taxes which are earmarked by law for major street and highway purposes.

The Local Street Fund is used to account for the receipt and expenditure of State motor fuel taxes which are earmarked by law for local street and highway purposes.

The Fire Department Fund is used to account for the activities related for fire protection for the City and neighboring communities.

The government reports the following major proprietary funds:

The Sewer Fund is used to record the revenues and expenses for the operation of the sewer system. Capital assets are recorded within the fund and depreciation is charged.

The Water Fund is used to record the revenues and expenses for the operation of the water system. Capital assets are recorded within the fund and depreciation is charged.

Additionally, the government reports the following fund types:

The Data Processing Fund is an internal service fund, which accounts for the operation of the data processing function within the City. Money for the operation of this fund is supplied from reimbursements from user departments.

The Mobile Equipment Fund is an internal service fund, which accounts for major machinery and equipment purchases and maintenance to provide services to other departments of the City on a cost reimbursement basis.

Agency Funds account for assets held for other governments and other city funds in an agency capacity, including tax collections and payroll and benefit administration.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

**CITY OF CLARE  
CLARE AND ISABELLA COUNTIES, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary funds relate to charges to customers for sales and services. The sewer and water fund also recognizes the portion of tap fees intended to recover current costs as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**D. Assets, Liabilities, and Net Assets**

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables—In general, outstanding balances between funds are reported as “due to/from other funds”. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds”.

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items—Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect cost applicable to future years and are recorded as prepaid items in the government-wide and fund statements.

**CITY OF CLARE  
CLARE AND ISABELLA COUNTIES, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Restricted Assets—The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

Capital Assets—Capital assets, which include property, plant, equipment and infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred, if any, during the construction of capital assets of business-type activities is included in the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings and improvements	40 years
Sewer and water systems	50 years
Vehicles	3 to 5 years
Equipment	7 to 10 years

Deferred Revenue—Deferred revenue represent amounts that do not meet the availability criteria for recognition as revenue, such as grant monies received before the expenditure is incurred, and special assessments before the assessment is received.

Compensated Absences (Vacation and Sick Leave)—Vacation and sick leave benefits attributable to the City's governmental funds are recorded as an expenditure and a current liability in the respective funds. The amounts attributable to proprietary funds are charged to expense and a corresponding liability in the applicable fund is recorded. Annual vacation and sick leave does not carryover; it must be used or it is lost.

**CITY OF CLARE  
CLARE AND ISABELLA COUNTIES, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Long-Term Obligations—In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations, if any, of fund balance represent tentative management plans that are subject to change.

Encumbrances—Encumbrances are defined as commitments related to unperformed contracts for goods or services. The City does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements.

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimated.

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets and Budgetary Accounting**

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

- Annual budgets are legally adopted and formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Annual Informational Budget Summaries are prepared for Debt Service Funds, Capital Project Funds, Enterprise Funds and Internal Service Funds.



**CITY OF CLARE  
CLARE AND ISABELLA COUNTIES, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006**

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

- Budgets can be amended during the year by a majority vote of the City Commission. The activity level in the General Fund and the fund level in the Special Revenue Funds are the the legal level of control.
- Budgets for the General Fund and Special Revenue Funds are prepared on a modified accrual basis. Also, informational budgets for the Debt Service Funds and Capital Projects Funds are prepared on the modified accrual basis, while the Enterprise Fund and Internal Service Fund informational budgets are prepared using the accrual basis of accounting. Both methods are consistent with generally accepted accounting principles (GAAP).
- Budget appropriations lapse at year end.
- The original budget was amended during the year in compliance with local and state laws. The budget to actual expenditures in the financial statements represent the final budgeted expenditures as amended by the City.

**B. Excess of Expenditures Over Appropriations for Budgetary Funds**

During the year the City incurred expenditures that were in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund – Treasurer	\$ 109,000	\$ 111,525	\$ (2,525)
General Fund – Cemetery	53,666	57,349	(3,683)
General Fund – Solid Waste	135,233	137,223	(1,990)
General Fund – Parks	172,361	175,029	(2,668)
Major Streets – State Trunkline	90,565	91,109	(544)
Fire Fund – Debt Service	38,000	40,461	(2,461)

**C. Fund Deficit**

The City's Downtown Development Authority (a component unit) has an accumulated fund deficit of \$111,386 at June 30, 2006. Management of the authority has not filed the required deficit elimination plan as required by state statute.

**CITY OF CLARE  
CLARE AND ISABELLA COUNTIES, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006**

**NOTE 3. INVESTMENTS AND DEPOSITS**

**A. Investments**

Under its investment policy, the City restricts its investments to bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States; repurchase agreements consisting of bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States; certificates of deposit, savings accounts, deposit accounts or depository receipts of an financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.

As of June 30, 2006 the City of Clare had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Weighted Average Maturity</u>
Repurchase Agreements	<u>\$ 2,325,000</u>	<u>11 Months</u>

Interest Rate Risk-Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than five years from the date of purchase. However, the City may collateralize its repurchase agreements using longer-dated investments not to exceed five years to maturity.

Credit Risk-Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's current investment policy does specify a credit risk rating to be maintained.

Concentration of Credit Risk-The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law. The City's investments include \$2,325,000 of repurchase agreements with Chemical Bank & Trust Company with the underlying issuer an agency of the United States.

**CITY OF CLARE  
CLARE AND ISABELLA COUNTIES, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006**

**NOTE 3. INVESTMENTS AND DEPOSITS (Continued)**

Custodial Risk-For an investment, is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the City's investments are repurchase agreements with an agency of the United States government as the underlying issuer.

**B. Deposits**

The City restricts its deposits to banks, savings and loans associations or credit unions, but only if the financial institution is eligible to be a depository of funds belonging to the State under a law or rule of this State of the United States. The City Commission has authorized the following financial institutions as depositories for the City of Clare: Chemical Bank & Trust Company-Clare, Isabella Bank-Clare and Firstbank-Clare.

Custodial Credit Risk-For a deposit, is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are:

- Uncollateralized
- Collateralized with securities held by the pledging financial institution, or
- Collateralized with securities held by the pledging financial institutions' trust department or agent but not in the name of the local government unit.

**C. Year End Deposits**

At June 30, 2006, deposits consisted of the following amounts:

<u>Financial Institution</u>	<u>Carrying Amount</u>	<u>Percentage of Deposits</u>
Chemical Bank & Trust Company - Clare	\$ 387,343	63.60%
Isabella Bank - Clare	100,000	16.40%
Firstbank - Clare	99,692	16.30%
Deposits held by others	20,840	3.40%
Petty cash and cash on hand	350	0.30%
Total	<u>\$ 608,225</u>	<u>100.00%</u>

**CITY OF CLARE  
CLARE AND ISABELLA COUNTIES, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006**

**NOTE 3. INVESTMENTS AND DEPOSITS (Continued)**

	Carrying Amount			
	Primary Government	Component Units	Fiduciary Funds	Total
Petty cash and cash on hand	\$ 350	\$ -	\$ -	\$ 350
Bank deposits	294,842	163,919	28,274	481,117
Certificates of deposit	100,000	-	-	100,000
Cash held by others	20,840	-	-	20,840
	<u>\$ 416,032</u>	<u>\$ 163,919</u>	<u>\$ 28,274</u>	<u>\$ 608,225</u>

The bank balances of the primary government deposits is \$375,820, of which \$200,819 is covered by federal deposit insurance. The component unit's deposits had bank balances of \$164,494, of which \$118,043 is covered by federal deposit insurance. The repurchase agreements are not insured by federal deposit insurance and the City's interest in the underlying government security is not perfected.

**NOTE 4. CAPITAL ASSETS**

Capital asset activity of the primary government for the current year was as follows:

<b>Governmental Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 3,675,456	\$ 64,831	\$ -	\$ 3,740,287
Construction in progress	-	-	-	-
Subtotal	<u>3,675,456</u>	<u>64,831</u>	<u>-</u>	<u>3,740,287</u>
Capital Assets Being Depreciated				
Land Improvements	861,174	-	784,507	76,667
Buildings and Improvements	2,120,708	672,579	-	2,793,287
Equipment	2,926,752	-	469,867	2,456,885
Subtotal	<u>5,908,634</u>	<u>672,579</u>	<u>1,254,374</u>	<u>5,326,839</u>
Less Accumulated Depreciation for				
Land Improvements	54,196	-	47,609	6,587
Buildings and Improvements	511,686	185,597	-	697,283
Equipment and Vehicles	1,774,035	-	144,202	1,629,833
Subtotal	<u>2,339,917</u>	<u>185,597</u>	<u>191,811</u>	<u>2,333,703</u>
Net Capital Assets Being Depreciated	<u>3,568,717</u>	<u>486,982</u>	<u>1,062,563</u>	<u>2,993,136</u>
Governmental Activities Capital Assets— Net of Depreciation	<u>\$ 7,244,173</u>	<u>\$ 551,813</u>	<u>\$1,062,563</u>	<u>\$ 6,733,423</u>

**CITY OF CLARE**  
**CLARE AND ISABELLA COUNTIES, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 4. CAPITAL ASSETS (Continued)**

<b>Business-Type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital Assets Not Being Depreciated				
Land	\$ 53,389	\$ -	\$ -	\$ 53,389
Construction in Progress	8,593	36,212	-	44,805
Subtotal	61,982	36,212	-	98,194
Capital Assets Being Depreciated				
Land Improvements	465,117	-	52,601	412,516
Buildings and Improvements	3,657,715	716,212	-	4,373,927
Equipment	1,359,424	-	842,115	517,309
Infrastructure	6,323,330	313,407	-	6,636,737
Subtotal	11,805,586	1,029,619	894,716	11,940,489
Less Accumulated Depreciation for				
Land Improvements	352,075	6,850	-	358,925
Buildings and Improvements	1,881,393	564,054	-	2,445,447
Equipment	972,011	-	577,870	394,141
Infrastructure	2,381,226	294,079	-	2,675,305
Subtotal	5,586,705	864,983	577,870	5,873,818
Net Capital Assets Being Depreciated	6,218,881	164,636	316,846	6,066,671
Business-Type Activities Capital Assets-Net of Depreciation	\$ 6,280,863	\$ 200,848	\$ 316,846	\$ 6,164,865

Depreciation expense was charged to programs of the City as follows:

<u>Governmental Activities</u>	
General Government	\$ 43,402
Public Safety	74,675
Recreation and Culture	12,767
Internal Service Funds	226,105
Total Governmental Activities	<u>\$ 356,949</u>

<u>Business-Type Activities</u>	
Sewer	\$ 277,288
Water	46,325
Total Business-Type Activities	<u>\$ 323,613</u>

**CITY OF CLARE  
CLARE AND ISABELLA COUNTIES, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006**

**NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Interfund receivables and payables as of June 30, 2006:

Fund	Interfund Receivable	Fund	Interfund Payable
General	\$ 436	General	\$ 306
Local Street	8,000	Major Street	13,401
Mobile Equipment	7,024	Local Street	1,317
		Tax Collection	436
Total	<u>\$ 15,460</u>	Total	<u>\$ 15,460</u>

Fund	Transfers Out	Fund	Transfers In
General	\$ 189,070	Drug Forfeiture	\$ 1,000
Major Street	36,008	Local Street	57,236
Fire Department	19,287	Fire Department	102,592
		Public Safety	48,218
		Water	35,319
Total	<u>\$ 244,365</u>	Total	<u>\$ 244,365</u>

Interfund transfers include transfer of unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 6. LONG-TERM DEBT**

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties that directly benefitted from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

**CITY OF CLARE**  
**CLARE AND ISABELLA COUNTIES, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 6. LONG-TERM DEBT (Continued)**

Bond and contractual agreements can be summarized as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>						
Capital Lease	6.82%	2008	\$ 128,032	\$ (28,913)	\$ 99,119	\$ 30,885
Installment purchase	3.89%	2010	-	135,000	135,000	27,000
2004 General Obligation Limited Tax Bonds	4.50%	2034	788,000	(13,000)	775,000	15,000
			<u>\$ 916,032</u>	<u>\$ 93,087</u>	<u>\$ 1,009,119</u>	<u>\$ 72,885</u>
<b>Business-Type Activities</b>						
Sewer Revenue Bonds	5.00%	2030	\$ 391,000	\$ (4,000)	\$ 387,000	\$ 4,000
2002 General Obligation Limited Tax Bonds	2.50 to 4.125%	2010	1,090,000	(245,000)	845,000	255,000
Contract Payable	4.00 to 5.85%	2021	465,000	(20,000)	445,000	20,000
2000 General Obligation Limited Tax Bonds	4.95 to 5.55%	2018	265,000	(20,000)	245,000	20,000
2000 General Obligation Limited Tax Bonds	4.75 to 5.55%	2015	240,000	(25,000)	215,000	25,000
Contract Payable	4.00 to 5.85%	2021	425,000	(25,000)	400,000	25,000
			<u>\$ 2,876,000</u>	<u>\$ (339,000)</u>	<u>\$ 2,537,000</u>	<u>\$ 349,000</u>
<b>Component Units</b>						
1990 DDA Bonds	6.10 to 7.45%	2010	\$ 100,000	\$ (15,000)	\$ 85,000	\$ 20,000
1992 DDA Bonds	5.25 to 6.40%	2010	170,000	(30,000)	140,000	30,000
1998 Contract Payable	4.05 to 5.10%	2012	430,000	(45,000)	385,000	45,000
			<u>\$ 700,000</u>	<u>\$ (90,000)</u>	<u>\$ 610,000</u>	<u>\$ 95,000</u>

Scheduled principal maturities for years subsequent to June 30, 2006 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Units</u>
2007	\$ 72,885	\$ 349,000	\$ 95,000
2008	74,992	369,000	105,000
2009	78,242	419,000	105,000
2010	43,000	103,000	120,000
2011	44,000	108,000	60,000
2012-2016	96,000	528,000	125,000
2017-2021	121,000	373,000	-
2022-2026	153,000	173,000	-
2027-2031	190,000	115,000	-
2032-2034	136,000	-	-
Total	<u>\$ 1,009,119</u>	<u>\$ 2,537,000</u>	<u>\$ 610,000</u>

**CITY OF CLARE  
CLARE AND ISABELLA COUNTIES, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006**

**NOTE 6. LONG-TERM DEBT (Continued)**

Scheduled interest requirements for years subsequent to June 30, 2006 are as follows:

Year Ending June 30	Governmental Activities	Business-Type Activities,	Component Units
2007	\$ 46,887	\$ 118,730	\$ 33,196
2008	43,055	103,353	27,588
2009	39,034	92,605	21,471
2010	34,861	74,419	15,143
2011	33,045	68,813	7,845
2012-2016	147,420	253,331	6,488
2017-2021	122,580	130,755	-
2022-2026	91,080	47,351	-
2027-2031	51,795	14,800	-
2032-2034	8,370	-	-
Total	<u>\$ 618,127</u>	<u>\$ 904,157</u>	<u>\$ 111,731</u>

Interest and fiscal charges for the year totaled \$179,841 for the primary governmental unit and \$38,600 for the component units; no interest costs were capitalized.

**NOTE 7. CAPITAL LEASE**

The City has entered into a lease agreement as lessee for financing the purchase of a fire truck. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The future minimum lease obligation and the net present value is as follows:

<u>Year Ended June 30</u>	
2007	\$ 37,645
2008	37,645
2009	<u>37,645</u>
Total Minimum Lease Payments	112,935
Less: Amount Representing Interest	<u>13,816</u>
Present Value	<u>\$ 99,119</u>



**CITY OF CLARE**  
**CLARE AND ISABELLA COUNTIES, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 8. SEGMENT INFORMATION**

The City has issued bonds to finance sewer and water system improvements. Summary financial information for the sewer and water departments are presented below:

**Condensed Statement of Net Assets:**

	Sewer	Water
Assets		
Current Assets	\$ 1,325,828	\$ 612,850
Restricted Assets	25,000	-
Capital Assets	4,919,163	1,245,702
Total Assets	6,269,991	1,858,552
Liabilities		
Current Liabilities	689,266	100,729
Noncurrent Liabilities	1,813,000	375,000
Total Liabilities	2,502,266	475,729
Net Assets		
Invested in Capital Assets	2,782,163	806,262
Restricted	25,000	-
Unrestricted	960,562	576,561
Total Net Assets	\$ 3,767,725	\$ 1,382,823

**Condensed Statement of Revenue, Expenses, and Changes in Net Assets:**

	Sewer	Water
Operating Revenues	\$ 930,034	\$ 375,753
Depreciation Expense	(277,288)	(46,326)
Other Operating Expenses	(447,016)	(313,603)
Operating Income (Loss)	205,730	15,824
Nonoperating Revenue (Expense)		
Investment Earnings	42,964	17,545
Interest Expense	(108,658)	(22,439)
Other Income and transfers	151,729	89,467
Change in Net Assets	291,765	100,397
Beginning Net Assets	3,475,961	1,282,426
Total Net Assets	\$ 3,767,726	\$ 1,382,823

**CITY OF CLARE  
CLARE AND ISABELLA COUNTIES, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006**

**NOTE 8. SEGMENT INFORMATION (Continued)**

**Condensed Statement of Cash Flows:**

	Sewer	Water
Net Cash Provided by (Used in)		
Operating Activities	\$ 449,356	\$ 81,917
Noncapital Financing Activities	106,434	32,650
Capital and Related Financing Activities	(545,074)	(30,648)
Investing Activities	(7,036)	(107,455)
Net Increase (Decrease)	3,680	(23,536)
Beginning Cash and Cash Equivalents	51,160	26,220
Ending Cash and Cash Equivalents	<u>\$ 54,840</u>	<u>\$ 2,684</u>

**NOTE 9. RISK MANAGEMENT**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation), as well as medical benefits provided to employees. The City participates in the Michigan Municipal League risk pool program, which operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

**NOTE 10. DEFERRED COMPENSATION PLAN**

The City offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The assets of the plans were held in trust as described in IRC Section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof, for the exclusive benefit of the participants, holds the custodial account for the beneficiaries of this plan, and the assets may not be diverted to any other use. The administrators are agents of the City for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the City's financial statements.

**CITY OF CLARE  
CLARE AND ISABELLA COUNTIES, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006**

**NOTE 10. DEFERRED COMPENSATION PLAN (Continued)**

A summary of the plan's investment activity for the year ended June 30, 2006, follows:

Balance – July 1, 2005	\$	246,306
Employee Contributions		30,651
Transfers		161,255
Current Withdrawals		(182,387)
Interest and Market Gains		17,596
Adjustments/Fees		(939)
Balance – June 30, 2006	\$	<u>272,482</u>

**NOTE 11. EMPLOYEES' RETIREMENT PLAN**

**Plan Description**--The City participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the City. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. The report may be obtained by writing to:

Municipal Employee Retirement Systems of Michigan  
447 North Canal Street  
Lansing, Michigan 48917  
(517) 622-4401

**Funding Policy**--The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment, for the year ended December 31, 2005, were determined using an attained age actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years.

**Annual Pension Costs**--For the year ended June 30, 2006, the City's annual pension contribution was equal to \$109,224, and employee contributions totaled \$27,700. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry age normal cost method. Significant actuarial assumptions used include: 1) an 8% investment rate of return; 2) projected salary increases of 4.5% per year plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increase ranging from 0.0% to 4.16%; and 3) various mortality rates, retirement rates and withdrawal rates for members based on experience studies.

**CITY OF CLARE  
CLARE AND ISABELLA COUNTIES, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006**

**NOTE 11. EMPLOYEES' RETIREMENT PLAN (Continued)**

Three year trend information as of December 31, 2005 follows:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Annual Pension Cost	\$ 109,224	\$ 106,492	\$ 95,277
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	0	0	0
Actuarial Accrued Liability	5,005,876	4,664,043	4,362,322
Actuarial Value of Assets	4,061,967	3,839,608	3,567,712
Unfunded (Overfunded) AAL	943,909	824,435	794,610
Funded Percentage	81%	82%	82%
Covered Payroll	914,521	936,407	974,497
UAAL as a Percentage of Covered Payroll	103%	88%	82%

**NOTE 12. CONTINGENT LIABILITIES**

The City is a defendant in various legal actions in which plaintiffs seek damages of indeterminable amounts, which may exceed insurance coverage where applicable. Litigation is subject to many uncertainties, and the outcome of individual matters cannot be predicted. Accordingly, a reasonable range of liability to the City pertaining to these matters cannot be determined. Management has taken steps to protect the City and believes any liability resulting from cases in which it is involved will not materially affect its financial position.

**NOTE 13. LANDFILL POST-CLOSURE CARE**

The City owns and operated the Hatton Township Landfill, which was closed in the early 1980's. Following closure, the landfill was capped. However, there have been claims of contamination from the landfill infiltrating local aquifers and contaminating local private wells.

The City hired a technical consultant to develop an assessment plan to determine the levels of alleged migratory contamination. The Michigan Department of Environmental Quality (DEQ) disagreed with the scope and extent of the City consultant's assessment and assumed the role of performing this assessment in 2000. The DEQ completed its assessment plan in 2003 and found no migratory contamination.

**CITY OF CLARE  
CLARE AND ISABELLA COUNTIES, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006**

**NOTE 13. LANDFILL POST-CLOSURE CARE (Continued)**

In a subsequent meeting with the City, the State Attorney General's Office has proposed a plan to limit the City's future liability in respect to the landfill, wherein the City would contribute \$230,000 to be held in perpetuity in a designated and agreed-upon, third-party escrow account to defray any future costs and litigation ensuing from contamination caused by the landfill. Concurrently, the City would be required to agree to an annual monitoring program of the landfill at an estimated cost of approximately \$25,000 annually until such time that scheduled sampling supported the elimination of cessation of the monitoring program.

**NOTE 14. VALUATION OF CITY STREETS**

Management has elected to utilize the transition option in the implementation of GASB Statement Number 34 for the valuation of the City's streets. Management plans to capitalize the value of its streets as an infrastructure asset in its June 30, 2007 financial statements.

**NOTE 15. PRIOR PERIOD ADJUSTMENTS**

During the year ended June 30, 2006, a prior period adjustment in the amount of \$19,165 was necessary to properly account for the overstatement of a receivable in the Major Street Fund, during the year ended June 30, 2005. The effect on the fund balance is as follows:

Fund balance, beginning of year, as previously stated	\$ 21,478
Prior period adjustments	<u>(19,165)</u>
Fund balance, beginning of year, as restated	<u><u>\$ 2,313</u></u>

**NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

In June 2004, the Governmental Accounting Standards Board issued Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The City of Clare does not provide post employment benefits to retirees and will not have to report any costs or liabilities in future periods.

**CITY OF CLARE**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Year Ended June 30, 2006**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Property taxes and related fees	\$ 1,322,166	\$ 1,322,166	\$ 1,282,973	\$ (39,193)
Licenses and permits	16,775	16,775	20,160	3,385
Federal aid	150,000	150,000	188,406	38,406
State aid	363,572	363,572	355,364	(8,208)
Charges for services	305,658	305,658	309,539	3,881
Interest and dividends	12,000	12,000	37,943	25,943
Fines and forfeitures	14,400	14,400	18,736	4,336
Special assessments	32,677	32,677	41,163	8,486
Donations and contributions	1,000	1,000	36,564	35,564
Miscellaneous	35,900	35,900	103,350	67,450
Total revenues	<u>2,254,148</u>	<u>2,254,148</u>	<u>2,394,198</u>	<u>140,050</u>
<b>EXPENDITURES</b>				
General Government:				
City commission	71,363	153,363	150,236	3,127
City manager	115,493	115,493	106,804	8,689
Treasurer and Assessing	99,611	109,000	111,525	(2,525)
Clerk and Elections	130,048	130,048	96,814	33,234
Cemetery	52,666	53,666	57,349	(3,683)
All other general government	134,134	134,134	95,575	38,559
Public Safety:				
Police department	685,760	744,084	690,543	53,541
Building inspection and regulation activities	39,531	39,531	26,685	12,846
Public Works:				
Solid waste	135,233	135,233	137,223	(1,990)
Landfill closure	31,500	31,500	12,278	19,222
Downtown maintenance	51,177	51,177	42,963	8,214
Street lights	62,725	62,725	62,211	514
Community Development:				
Planning and zoning	50,500	50,500	40,554	9,946
Recreation and Culture:				
Parks and recreation	172,361	172,361	175,029	(2,668)
Airport	136,287	136,287	125,020	11,267
Capital Outlay:				
General government	4,000	4,000	2,070	1,930
Public safety	4,000	4,000	3,800	200
Parks and recreation	208,000	233,000	203,688	29,312
Total expenditures	<u>2,184,389</u>	<u>2,360,102</u>	<u>2,140,367</u>	<u>219,735</u>
Excess (deficiency) of revenues over expenditures	<u>69,759</u>	<u>(105,954)</u>	<u>253,831</u>	<u>359,785</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers-in	-	-	-	-
Transfers-out	(166,623)	(196,335)	(189,070)	7,265
Total other financing sources and uses	<u>(166,623)</u>	<u>(196,335)</u>	<u>(189,070)</u>	<u>7,265</u>
Net change in fund balance	(96,864)	(302,289)	64,761	367,050
Fund balances-beginning	878,679	878,679	878,679	-
Fund balances-ending	<u>\$ 781,815</u>	<u>\$ 576,390</u>	<u>\$ 943,440</u>	<u>\$ 367,050</u>

**CITY OF CLARE**  
**BUDGETARY COMPARISON SCHEDULE**  
**MAJOR STREET**  
**For the Year Ended June 30, 2006**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
State aid	\$ 170,000	\$ 170,000	\$ 157,481	\$ (12,519)
Interest and dividends	100	100	870	770
Special assessments	2,400	2,400	946	(1,454)
Miscellaneous	46,500	46,500	74,568	28,068
Total revenues	<u>219,000</u>	<u>219,000</u>	<u>233,865</u>	<u>14,865</u>
<b>EXPENDITURES</b>				
Street maintenance	79,085	79,085	64,914	14,171
Administration	12,196	12,196	11,479	717
State trunkline operations	90,565	90,565	91,109	(544)
Total expenditures	<u>181,846</u>	<u>181,846</u>	<u>167,502</u>	<u>14,344</u>
Deficiency of revenues over expenditures	<u>37,154</u>	<u>37,154</u>	<u>66,363</u>	<u>29,209</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers-out	<u>(67,500)</u>	<u>(67,500)</u>	<u>(36,008)</u>	<u>31,492</u>
Total other financing sources and uses	<u>(67,500)</u>	<u>(67,500)</u>	<u>(36,008)</u>	<u>31,492</u>
Net change in fund balances	<u>(30,346)</u>	<u>(30,346)</u>	<u>30,355</u>	<u>60,701</u>
Fund balances-beginning	<u>2,313</u>	<u>2,313</u>	<u>2,313</u>	<u>-</u>
Fund balances-ending	<u>\$ (28,033)</u>	<u>\$ (28,033)</u>	<u>\$ 32,668</u>	<u>\$ 60,701</u>

**CITY OF CLARE**  
**BUDGETARY COMPARISON SCHEDULE**  
**LOCAL STREET**  
**For the Year Ended June 30, 2006**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Property taxes and related fees	\$ 51,960	\$ 51,960	\$ 51,613	\$ (347)
State aid	75,680	75,680	70,219	(5,461)
Interest and dividends	100	100	2,480	2,380
Special assessments	5,510	5,510	4,263	(1,247)
Miscellaneous	7,500	7,500	16,919	9,419
Total revenues	<u>140,750</u>	<u>140,750</u>	<u>145,494</u>	<u>4,744</u>
<b>EXPENDITURES</b>				
Street maintenance	193,249	193,249	155,245	38,004
Administration	11,376	11,376	10,514	862
Construction	49,250	49,250	38,920	10,330
Total expenditures	<u>253,875</u>	<u>253,875</u>	<u>204,679</u>	<u>49,196</u>
Deficiency of revenues over expenditures	<u>(113,125)</u>	<u>(113,125)</u>	<u>(59,185)</u>	<u>53,940</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from debt obligations	-	-	-	-
Transfers-in	88,728	88,728	57,236	(31,492)
Transfers-out	-	-	-	-
Total other financing sources and uses	<u>88,728</u>	<u>88,728</u>	<u>57,236</u>	<u>(31,492)</u>
Net change in fund balances	<u>(24,397)</u>	<u>(24,397)</u>	<u>(1,949)</u>	<u>22,448</u>
Fund balance-beginning	<u>37,073</u>	<u>37,073</u>	<u>37,073</u>	<u>-</u>
Fund balances-ending	<u>\$ 12,676</u>	<u>\$ 12,676</u>	<u>\$ 35,124</u>	<u>\$ 22,448</u>



**CITY OF CLARE**  
**BUDGETARY COMPARISON SCHEDULE**  
**FIRE DEPARTMENT FUND**  
**For the Year Ended June 30, 2006**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Federal aid	\$ 290,000	\$ 290,000	\$ -	\$ (290,000)
Charges for services	153,456	153,456	161,660	8,204
Interest and dividends	1,000	1,000	3,233	2,233
Special assessments	-	-	-	-
Donations and contributions	460,000	460,000	14,030	(445,970)
Miscellaneous	-	-	1,380	1,380
Total revenues	<u>904,456</u>	<u>904,456</u>	<u>180,303</u>	<u>(724,153)</u>
<b>EXPENDITURES</b>				
Fire operations	154,544	154,544	131,983	22,561
Capital outlay	775,232	775,232	240,264	534,968
Debt service	38,000	38,000	40,461	(2,461)
Total expenditures	<u>967,776</u>	<u>967,776</u>	<u>412,708</u>	<u>555,068</u>
Excess (deficiency) of revenues over expenditures	<u>(63,320)</u>	<u>(63,320)</u>	<u>(232,405)</u>	<u>(169,085)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from debt obligations	-	-	135,000	135,000
Transfers-in	81,000	81,000	102,592	21,592
Transfers-out	(19,384)	(19,384)	(19,287)	97
Total other financing sources and uses	<u>61,616</u>	<u>61,616</u>	<u>218,305</u>	<u>156,689</u>
Net change in fund balances	<u>(1,704)</u>	<u>(1,704)</u>	<u>(14,100)</u>	<u>(12,396)</u>
Fund balances-beginning	<u>179,924</u>	<u>179,924</u>	<u>179,924</u>	<u>-</u>
Fund balances-ending	<u>\$ 178,220</u>	<u>\$ 178,220</u>	<u>\$ 165,824</u>	<u>\$ (12,396)</u>

**CITY OF CLARE**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2006**

	<b>Drug Forfeiture</b>	<b>Debt Service Fund - Public Safety</b>	<b>Special Revenue Fund - Sidewalk Replacement</b>	<b>Permanent Fund - Cemetery Perpetual Care</b>	<b>Nonmajor Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,918	\$ -	\$ 24,002	\$ 14,522	\$ 44,442
Investments	-	-	-	300,000	300,000
Assessment receivable, net	-	-	12,444	-	12,444
Other receivables	451	-	-	-	451
Prepaid items	-	-	191	-	191
Total assets	<u>\$ 6,369</u>	<u>\$ -</u>	<u>\$ 36,637</u>	<u>\$ 314,522</u>	<u>\$ 357,528</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 4,959	\$ -	\$ 297	\$ -	\$ 5,256
Accrued expenses	-	-	166	-	166
Deferred revenue	-	-	12,444	-	12,444
Total liabilities	<u>4,959</u>	<u>-</u>	<u>12,907</u>	<u>-</u>	<u>17,866</u>
Fund balances:					
Unreserved and undesignated	<u>1,410</u>	<u>-</u>	<u>23,730</u>	<u>314,522</u>	<u>339,662</u>
Total fund balances	<u>1,410</u>	<u>-</u>	<u>23,730</u>	<u>314,522</u>	<u>339,662</u>
Total liabilities and fund balances	<u>\$ 6,369</u>	<u>\$ -</u>	<u>\$ 36,637</u>	<u>\$ 314,522</u>	<u>\$ 357,528</u>

**CITY OF CLARE**  
**COMBINING STATEMENT OF REVENUE,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2006**

	<b>Drug Forfeiture</b>	<b>Debt Service Fund - Public Safety</b>	<b>Special Revenue Fund - Sidewalk Replacement</b>	<b>Permanent Fund - Cemetery Perpetual Care</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>					
Property taxes and related fees	\$ -	\$ -	\$ 17,196	\$ -	\$ 17,196
Charges for services	410	-	-	8,300	8,710
Interest and dividends	-	-	821	7,800	8,621
Special assessments, net	-	-	5,858	-	5,858
Miscellaneous	-	-	43	-	43
Total revenues	<u>410</u>	<u>-</u>	<u>23,918</u>	<u>16,100</u>	<u>40,428</u>
<b>EXPENDITURES</b>					
Public safety	-	-	-	-	-
Public works	-	-	33,452	-	33,452
Capital outlay	-	-	-	-	-
Debt service	-	48,218	-	-	48,218
Total expenditures	<u>-</u>	<u>48,218</u>	<u>33,452</u>	<u>-</u>	<u>81,670</u>
Excess (deficiency) of revenues over expenditures	<u>410</u>	<u>(48,218)</u>	<u>(9,534)</u>	<u>16,100</u>	<u>(41,242)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from debt obligations	-	-	-	-	-
Transfers-in	1,000	48,218	-	-	49,218
Transfers-out	-	-	-	-	-
Total other financing sources and uses	<u>1,000</u>	<u>48,218</u>	<u>-</u>	<u>-</u>	<u>49,218</u>
Net change in fund balances	1,410	-	(9,534)	16,100	7,976
Fund balances-beginning	<u>-</u>	<u>-</u>	<u>33,264</u>	<u>298,422</u>	<u>331,686</u>
Fund balances-ending	<u>\$ 1,410</u>	<u>\$ -</u>	<u>\$ 23,730</u>	<u>\$ 314,522</u>	<u>\$ 339,662</u>

**CITY OF CLARE**  
**COMBINING STATEMENT OF NET ASSETS -**  
**INTERNAL SERVICE FUNDS**  
**June 30, 2006**

	<u>Data Processing</u>	<u>Mobile Equipment</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 19,843	\$ 36,336	\$ 56,179
Investments	75,000	100,000	175,000
Accounts receivable, net	-	3,682	3,682
Due from other funds	-	7,029	7,029
Inventory	-	27,485	27,485
Prepaid items	111	18,185	18,296
Total current assets	<u>94,954</u>	<u>192,717</u>	<u>287,671</u>
Noncurrent assets:			
Capital assets:			
Land	-	85,000	85,000
Buildings and improvements, net	-	192,996	192,996
Equipment, net	57,405	135,606	193,011
Vehicles, net	-	126,754	126,754
Total noncurrent assets	<u>57,405</u>	<u>540,356</u>	<u>597,761</u>
Total assets	<u>152,359</u>	<u>733,073</u>	<u>885,432</u>
<b>LIABILITIES</b>			
Accounts payable	246	13,793	14,039
Accrued expenses	615	3,071	3,686
Total liabilities	<u>861</u>	<u>16,864</u>	<u>17,725</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	57,405	540,356	597,761
Unrestricted	94,093	175,853	269,946
Total net assets	<u>\$ 151,498</u>	<u>\$ 716,209</u>	<u>\$ 867,707</u>

**CTTY OF CLARE**  
**COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended June 30, 2006**

	<b>Data Processing</b>	<b>Mobile Equipment</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ -	\$ 408,187	\$ 408,187
Gain on sale of assets	-	5,051	5,051
Miscellaneous	330	5,090	5,420
Total operating revenues	<u>330</u>	<u>418,328</u>	<u>418,658</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	14,974	70,301	85,275
Payroll taxes	1,155	5,530	6,685
Employee benefits	7,035	31,597	38,632
Retirement	1,536	7,352	8,888
Supplies	22,122	26,294	48,416
Postage	-	2,529	2,529
Professional and contracted services	17,709	18,702	36,411
Insurance	111	22,860	22,971
Bank fees	-	-	-
Telephone and communications	-	928	928
Travel, meals and lodging	-	-	-
Professional development	179	341	520
Utilities	-	15,800	15,800
Repair and maintenance	6,620	82,805	89,425
Equipment rental	-	-	-
Miscellaneous	-	639	639
Depreciation	53,118	172,987	226,105
Total operating expenses	<u>124,559</u>	<u>458,665</u>	<u>583,224</u>
Operating income (loss)	<u>(124,229)</u>	<u>(40,337)</u>	<u>(164,566)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	2,981	2,370	5,351
Interest expense	-	-	-
Total nonoperating revenue (expenses)	<u>2,981</u>	<u>2,370</u>	<u>5,351</u>
Changes in net assets	(121,248)	(37,967)	(159,215)
Total net assets-beginning	<u>272,746</u>	<u>754,176</u>	<u>1,026,922</u>
Total net assets-ending	<u><u>\$ 151,498</u></u>	<u><u>\$ 716,209</u></u>	<u><u>\$ 867,707</u></u>

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS***

**Members of the City Commission  
City of Clare  
Clare and Isabella Counties, Michigan**

We have audited the basic financial statements of the City of Clare, Clare and Isabella Counties, Michigan ( the "City" ), as of and for the year ended June 30, 2006 and have issued our report thereon dated November 5, 2007. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Accounting Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted three matters involving the internal control over financial reporting and its operation that we considered to be reportable conditions as of June 30, 2005 and one matter as of June 30, 2006. These items are listed as 2005-1 through 2005-3 and 2006-1 in the accompanying Schedule of Findings and Questioned Costs. We also listed and reported to management other matters we felt were worthy of their consideration in a separate letter dated November 5, 2007.

## **CITY OF CLARE**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2006**

#### **Prior Year Internal Control Findings**

**Finding 2005-1**

##### **Financial Reporting**

As described in the *Uniform Accounting Procedures Manual* for Counties and Local Units of Government in Michigan, legislative bodies must be provided periodic financial reports from the Clerk and Treasurer. The required periodic reports and suggested frequency should include the following:

- Summary report of cash activity by fund (monthly).
- Summary report of cash activity by bank account, certificate of deposit and investment account (monthly).
- Balance sheet by fund (monthly).
- Detail revenue by fund – budget to actual (monthly).
- Detail expenditures by fund – budget to actual (monthly).
- Bank reconciliations (monthly).

Due to changes in staff, these mandatory reports have not been provided to the City Commission on a regular basis. These reports must be prepared to assist the Commission in determining whether the financial activity of the various funds are within the adopted budgets, that there are sufficient cash balances to meet the needs of the current period, and whether there is sufficient cash available to cover unforeseen expenditures.

**Finding 2005-2**

##### **MERS – MUNICIPAL EMPLOYEE RETIREMENT SYSTEM**

The city participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the City. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due.

During our audit we noticed that a required contribution, due in February of 2005, was not paid to the system until September. Although MERS has not contacted the City we believe that they have the right to assess interest and penalties for late submission of payments.

We recommended that all future payments to the system be paid timely. This will eliminate the possibility of the City incurring any unnecessary additional MERS assessments.

Members of the City Commission  
City of Clare  
Clare and Isabella Counties, Michigan  
Page 2

In planning and performing our audit of the financial statements of the City for the year ended June 30, 2006 we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. Accordingly, we do not express such an opinion.

This report is intended solely for the information and use of management, others within the organization, the City of Clare's Board of Commissioners and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Bernard E. Long, P.C.", is written above the typed name and date.

Midland, Michigan  
November 5, 2007



## **CITY OF CLARE**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2006**

**Finding 2005-3**

#### **Tax Remittals**

The Treasurer (per state statute) is required to distribute to other tax assessing units, tax collections on hand on the first and the fifteenth day of each month, within 10 business days after the first and fifteenth day of each month. We noted during our audit that this distribution schedule was not consistently maintained. We recommended that all future tax distributions be made timely per the above statute.

We are pleased to report that management has resolved these findings during the current ended June 30, 2006.

#### **Current Year Internal Control Findings**

**Finding 2006-1**

#### **Fund Deficit (Repeat Comment)**

Downtown Development Authority (DDA) had a fund deficit as of June 30, 2006. Public Act 275 of 1980 (MCL 141.921) requires that the City file a deficit elimination plan to the Michigan Department of Treasury within 90 days after the end of the fiscal year. The city has not filed the required plan. We recommend the DDA chairman file a deficit elimination plan to comply with the State Treasury requirements.

November 5, 2007

Members of the City Commission  
City of Clare  
Clare and Isabella Counties, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Clare, Clare and Isabella Counties, (the "City") as of and for the years ended June 30, 2006 and 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the a governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

## **PRIOR YEAR COMMENTS**

### **Financial Reporting**

As described in the Uniform Accounting Procedures Manual for Counties and Local Units of Government in Michigan, legislative bodies must be provided periodic financial reports from the Clerk and Treasurer. The required periodic reports and suggested frequency should include the following:

#### Financial Reporting (Continued)

- Summary report of cash activity by fund (monthly).
- Summary report of cash activity by bank account, certificate of deposit and investment account (monthly).
- Balance sheet by fund (monthly).
- Detail revenue by fund – budget to actual (monthly).
- Detail expenditures by fund – budget to actual (monthly).
- Bank reconciliations (monthly).

Due to changes in staff, these mandatory reports had not been provided to the City Commission on a regular basis.

#### MERS – Municipal Employee Retirement System

During our 2005 audit we noticed that required contributions for the months of February through May 2005, were not paid to the system until July 2005. Although MERS had not contacted the City, we believe that they have the right to assess interest and penalties for late submission of payments. In addition this is in violation of State statute and union contracts.

#### Minutes on all Boards

During the process of our 2005 audit we are required to read all financially related commission, authority and committee minutes. We found the commission minutes to be very complete and thorough in highlighting and documenting all financially related resolutions made during the last fiscal year. However, we were unable to review all minutes of all authorities and committees of the City.

#### Establishment of New Fund

State of Michigan PA #71 of 1919 as amended and/or PA #2 of 1968 as amended requires an establishment of a separate accounting fund for the collection and recording of drug forfeiture monies.

#### GASB - 34 Implementation

As mentioned the 2005 notes to the financial statements, management had elected to utilize the transition option in the implementation of GASB No. 34 and plans to capitalize the value of its network of streets as an infrastructure asset in its June 30, 2007 financial statements. Financial statements in accordance with GASB Statement 34, have to include the capitalization as previously explained.

#### Fixed Asset Records

It was also noted within our 2005 audit that fixed asset installation and integration within the City's accounting records had not been fully completed. Management had explained that it was their plan to implement the above upon the completion of the updates to the new computer software BS&A.

#### Tax Remittals

The Treasurer (per state statute) is required to distribute to other tax assessing units, tax collections on hand on the first and the fifteenth day of each month, within 10 business days after the first and fifteenth day of each month. We noted during our 2005 audit that this distribution schedule was not consistently maintained.

**The above listed items were reviewed with management of the City and they have addressed the issues and made satisfactory corrections.**

#### SIGNIFICANT DEFICIENCIES

##### Fund Deficit (Repeat Comment)

Downtown Development Authority (DDA) had a fund deficit of \$111,386 as of June 30, 2006. Public Act 275 of 1980 (MCL 141.921) requires that the City file a deficit elimination plan to the Michigan Department of Treasury within 90 days after the end of the fiscal year. The city has issued \$455,000 in bonds in the current fiscal year to eliminate this fund deficiency.

#### OTHER MATTERS

The following matters, although not considered reportable conditions, are matters we felt worthy for your consideration.

##### Conflict of Interest Policy

During our audit, we found no formal policy adopted by the City pertaining to related party transactions when awarding contracts and purchasing goods and services.

According to Michigan Compiled Laws ( MCL) 46.3 " No member of such governmental board shall be interested directly or indirectly in any contract or other business transaction with any unit of government, or any board, office or commission thereof, during the time for which he or she is elected or appointed, nor for 1 year thereafter unless such contract or transaction has been approved by ¾ of the members of the governmental commission and so shown on the minutes of the commission together with a statement showing that the commission is cognizant of such member's interest."

Conflict of Interest Policy (Continued)

We recommend that the City document, in writing, a policy and procedure which covers disclosure requirements regarding transactions and relationships that may involve potential conflicts of interests.

The policy should provide for an annual statement from the commissioners and employees in sensitive positions certifying their compliance with the policy. These statements should be reviewed by the board of commissioners. In addition, the policy should cover disclosure requirements by employees and commission members regarding transactions and relationships that involve any potential conflicts of interest.

This policy and procedure will provide adequate assurance that significant related party transactions did not occur which could have a significant influence over the Commission's control.

Revenues and Expenditure Projections (Repeat Comment)

During our audit, we noted that the City's fire fund has a five-year budget projection for its revenues and expenditures. However, the remaining funds have no such plan in place. We recommend this analysis be part of the budgeting process and estimate revenue and expenditures for four years beyond the current budget cycle for all the City's funds. Following this recommendation will highlight potential financial difficulties and allow Commissioners time to evaluate the effect on City services.

Appropriations in Budgetary Funds (Repeat Comment)

P.A. 2 of 1968, as amended, provides that a governmental unit shall not incur expenditures in excess of amount appropriated. We noted during our audit that the City incurred expenditures in excess of amounts appropriated in some fund and line items. Per the Financial Director most of these differences are the result of updating accounting structure to comply with State's Uniform Chart of Accounts for Counties and Local Units of Governments.

We recommend completion of the account updates in process, and that the budget be amended during the year to account for any account structure updates or expenditures in excess of the original budget amounts. These amendments must be approved by the City Commissioners and documented in the Commission minutes. This will help the City from incurring expenditures in excess of appropriations.

Water Billing (Repeat Comment)

During our audit we noted that there is a continuing variance in the amount of water actually pumped and that billed by the water department. Per discussions with management, it is believed that this difference is due to unaccounted for uses of water by various departments. The City has also added an additional staff member to service water meters and to attend to water distribution issues.

We recommend a monthly monitoring of this variance, and that the City continue to research and account for the currently unaccounted for uses of water.

Payroll Reconciliation (Repeat Comment)

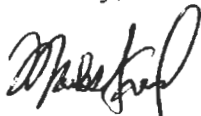
During our audit we attempt to reconcile total wages per IRS 941 Forms to wage totals recorded within the general ledger. We perform this procedure to determine the accuracy of payroll processing and financial reporting. As in the past, our reconciliation showed significant differences between the general ledger and the IRS 941 Forms. We recommend that future general ledger – payroll reconciliations be completed quarterly by the finance department.

Conclusion

These conditions were considered in determining the nature, timing, and extent of the audit tests applied on our audit of the June 30, 2006 and 2007, financial statements, and this report does not affect our report on those financial statements dated November 5, 2007. We have not considered internal control since the date of our report.

This communication is intended solely for the information and use of the members of the City Commission, management, the State of Michigan, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Lang", with a stylized flourish extending from the bottom.

**BURNSIDE & LANG, P.C.**

November 5, 2007

Members of the City Commission  
City of Clare  
Clare and Isabella Counties, Michigan

This letter is intended to inform the City Commission of the City of Clare ("the City") about significant matters related to the conduct of the annual audit so that it can appropriately discharge its oversight responsibility, and that we comply with our professional responsibilities to the City Commission.

The following summarizes various matters which must be communicated to you under U.S. generally accepted auditing standards.

#### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

Our audit of the financial statements of the City of Clare for the years ended June 30, 2006 and 2007 was conducted in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe that our audit accomplished that objective.

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

#### **Management Judgments and Accounting Estimates**

Accounting estimates are an integral part of the preparation of financial statements and are based on management's current knowledge. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us that they used all the relevant facts available to them at the time to make the best judgment about accounting estimates, and we considered this information in the scope of our audit. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

**Members of the City Commission**  
**City of Clare**  
**November 5, 2007**  
**Page 2**

### **Audit Adjustments**

There were audit adjustments made to the original trial balance presented to us to begin our audit. In our judgment, the adjustments we proposed, either individually or in the aggregate, are not considered to have a significant effect on the City's financial reporting process. A copy of all audit adjustments for 2006 and 2007 accompany this letter.

### **Accounting Policies and Alternative Treatments**

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the City. The City did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the years ended June 30, 2006 and 2007 which should be brought to your attention for approval.

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### **Disagreements with Management**

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

### **Consultation with Other Accountants**

We are not aware of any consultations management had with other accountants about accounting or auditing related matters.

### **Major Issues Discussed with Management Prior to Retention**

No major issues were discussed with management prior to our retention to perform the aforementioned audit.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in the performance of our audit.



**Members of the City Commission**  
**City of Clare**  
**November 5, 2007**  
**Page 3**

**Other Matters**

*Internal Control Policies*

Statement on Auditing Standard (SAS) No. 99, requires auditors to assess risks of fraud after taking into account the evaluation of the townships programs and controls to prevent, deter and detect fraud. As part of our responsibilities under SAS 99, we have addressed the risk assessment by performing inquiries, completing comprehensive checklists and performing other procedures designed to detect fraud risk factors. SAS 99 further states that it is management's responsibility for designing and implementing effective systems and procedures for preventing, deterring and detecting fraud. While we did not identify any specific fraud risks, we recommend the City periodically review the controls in place to prevent, deter and detect fraud.

A handwritten signature in black ink, appearing to read "Michael Burnside", is positioned above the printed name and firm information.

BURNSIDE & LANG, P.C.  
Midland, Michigan  
November 5, 2007

City of Clare  
Audit Adjustments  
June 30, 2007

**GENERAL FUND**

	<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
<b>1</b>	101-000-000-045-000	Special Assessment Receivable	13,913.23	
	101-000-000-339-000	Deferred Revenue		11,898.27
	101-000-000-672-000	Special Assessment Revenue		2,198.21
	101-000-000-664-000	Interest Income	183.25	
	<b>To adjust special assessments to actual</b>			
<b>2</b>	101-000-000-001-000	Cash		1,431.68
	101-000-000-040-000	Accounts Receivable	1,431.68	
	<b>To reconcile Misc A/R</b>			
<b>3</b>	101-000-000-123-000	Prepaid Expenses	130.99	
	101-000-000-233-000	B/C Retiree Group	4,305.03	
	101-000-000-234-000	B/C Cobra	490.22	
	101-301-000-716-000	Fringe Benefits		4,926.24
	<b>To reconcile prepaids &amp; zero Blue Cross liabilities</b>			
<b>4</b>	101-000-000-040-000	Accounts Receivable		3,914.19
	101-000-000-607-000	Charges for Services	3,914.19	
	<b>To adjust Misc A/R to schedule</b>			
<b>5</b>	101-000-000-214-729	Due to Other Gov. Units	7,886.25	
	101-000-000-671-005	In Lieu of Taxes		7,886.25
	<b>To adjust PILOT liability to actual</b>			
<b>6</b>	101-172-000-702-000	Wages	2,920.40	
	101-191-000-702-000	Wages	2,941.95	
	101-215-000-702-000	Wages	2,306.11	
	101-247-000-702-000	Wages	49.33	
	101-265-000-702-000	Wages	338.04	
	101-301-000-702-000	Wages	16,188.79	
	101-371-000-702-000	Wages	799.84	
	101-441-000-702-000	Wages	559.34	
	101-448-000-702-000	Wages	99.04	
	101-528-000-702-000	Wages	269.48	
	101-537-000-702-000	Wages	279.85	
	101-000-000-257-000	Wages Payable		26,752.17
<b>7</b>	101-528-000-801-000	Contracted Services	10,960.88	
	101-000-000-202-000	Accounts Payable		10,960.88
	<b>To adjust A/P to actual</b>			
<b>8</b>	101-265-000-728-000	Operating Supplies	1,290.84	
	101-000-000-111-000	Inventory		1,290.84
	<b>To adjust inventory to actual</b>			

9	101-537-000-731-000	Aviation Fuel	12,321.57	
	101-000-000-111-001	Inventory- Airport Fuel		12,321.57
	<b>To adjust fuel inventory to actual</b>			

#### **MAJOR STREETS FUND**

1	202-000-000-045-000	Special Assessment Receivable		945.75
	202-000-000-339-000	Deferred Revenue	945.75	
	<b>To adjust special assessment to actual</b>			
2	202-000-000-078-000	Due from State		12,171.03
	202-000-000-078-000	Due fom State		434.01
	202-000-000-569-000	Act 51 Monies	12,171.03	
	202-000-000-569-000	Act 51 Monies	434.01	
	<b>To reverse entry for Management's estimate of June activity</b>			
3	202-000-000-078-000	Due from State	12,529.35	
	202-000-000-078-000	Due from State	434.01	
	202-000-000-569-000	Act 51 Monies		12,529.35
	202-000-000-569-000	Act 51 Monies		434.01
	<b>To record amount due from State for June activity</b>			
4	202-000-000-078-000	Due from State		434.01
	202-000-000-569-000	Act 51 Monies	434.01	
	<b>To correct JE 155379 which overstated balances</b>			
5	202-446-001-702-000	Wages	621.13	
	202-449-002-702-000	Wages	964.59	
	202-449-004-702-000	Wages	211.86	
	202-000-000-257-000	Wags Payable		1,797.58
	<b>To record accrued wages</b>			

#### **LOCAL STREETS FUND**

1	203-000-000-045-000	Special Assessment Receivable		3,049.02
	203-000-000-339-000	Deferred Revenue	3,049.02	
	203-000-000-672-000	Special Assessment Revenue	2,062.03	
	203-000-000-664-000	Interest Income		2,062.03
	<b>To adjust special assessments to actual</b>			
2	203-000-000-078-000	Due from State		10,834.84
	203-000-000-078-000	Due from State		386.46
	203-000-000-569-000	Act 51 Monies	10,834.84	
	203-000-000-569-000	Act 51 Monies	386.46	
	<b>To reverse entry to record Management's estimate for June activity</b>			
3	203-000-000-078-000	Due from State	5,576.91	
	203-000-000-078-000	Due from State	193.23	
	203-000-000-569-000	Act 51 Monies		5,576.91
	203-000-000-569-000	Act 51 Monies		193.23
	<b>To record amount due from state for June's Act 51 monies</b>			

4	203-449-002-702-000	Wages	2,551.42	
	203-449-004-702-000	Wages	211.91	
	203-000-000-257-000	Wages Payable		2,763.33
	<b>To record accrued wages</b>			

#### **FIRE FUND**

1	206-000-000-040-000	Accounts Receivable		10,013.08
	206-000-000-607-000	Charges for Services	10,013.08	
	<b>To adjust A/R to actual</b>			
2	206-336-000-702-000	Wages	4,605.20	
	206-000-000-257-000	Accrued Wages		4,605.20
	<b>To record accrued wages</b>			
3	206-000-000-111-000	Inventory	155.10	
	206-336-000-728-000	Operating Supplies		155.10
	<b>To adjust inventory to actual</b>			

#### **PARKS & RECS FUND**

1	208-751-001-702-000	Wages	4,029.27	
	208-751-002-702-000	Wages	1,626.54	
	208-000-000-257-000	Accrued Wages		5,655.81
	<b>To record accrued wages</b>			

#### **SIDEWALK REPLACEMENT FUND**

1	211-000-000-045-000	Special Assessment Receivable	974.40	
	211-000-000-339-000	Deferred Revenue		974.40
	211-000-000-672-000	Special Assessment Revenue		958.37
	211-000-000-664-000	Interest Income	958.37	
	<b>To adjust special assessment to actual</b>			
2	211-444-000-702-000	Wages	142.34	
	211-000-000-257-000	Accrued Wages		142.34
	<b>To record accrued wages</b>			

#### **SEWER FUND**

1	590-000-000-001-000	Cash	1,205.95	
	590-000-000-694-001	Cash Over/ Short		1,205.95
	<b>To reverse an entry made twice by client</b>			
2	590-000-000-045-000	Special Assessment Receivable		48,592.38
	590-000-000-339-000	Deferred Revenue	49,264.01	
	590-000-000-672-000	Special Assessment Revenue		629.27
	590-000-000-664-000	Interest Income		42.36
	<b>To adjust special assessment to actual</b>			

3	590-000-000-040-000	Accounts Receivable		664.18
	590-000-000-694-000	Misc Income	664.18	
	<b>To reconcile Misc A/R</b>			
4	590-000-000-133-000	Acc. Depr. - Land Improv.	4,412.65	
	590-000-000-137-000	Acc. Depr. - Buildings		9,969.64
	590-000-000-145-000	Acc. Depr. - Equipment	12,412.95	
	590-000-000-155-000	Acc. Depr. Sewer System		11,213.20
	590-536-001-968-000	Depreciation Expense	4,357.24	
	<b>To adjust depreciation balances to schedule</b>			
5	590-536-001-702-000	Wages	3,836.59	
	590-536-002-702-000	Wages	1,061.38	
	590-000-000-257-000	Accrued Wages		4,897.97
	<b>To record accrued wages</b>			
6	590-000-000-002-001	Cash Held @ Isabella County	65.56	
	590-000-000-664-000	Interest and Dividends		65.56
	<b>To record June 2007 interest income</b>			

#### **WATER FUND**

1	591-000-000-045-000	Special Assessment Receivable		22,175.17
	591-000-000-339-000	Deferred Revenue	22,175.17	
	591-000-000-672-000	Special Assessment Revenue	125.27	
	591-000-000-664-000	Interest Income		125.27
	<b>To adjust special assessment to actual</b>			
2	591-000-000-158-000	Construction In Progress		2,000.00
	591-000-000-158-000	Construction In Progress		3,460.00
	591-000-000-158-000	Construction In Progress		70.00
	591-536-003-801-000	Professional Services	2,000.00	
	591-536-003-931-000	Repairs and Maintenance	3,460.00	
	591-536-003-931-000	Repairs and Maintenance	70.00	
	<b>To expense non-capital items charged to construction in progress</b>			
3	591-000-000-158-000	Construction In Progress		123,097.50
	591-000-000-152-000	Water System- Wells	123,097.50	
	<b>To record the completion of Well #8</b>			
4	591-000-000-001-000	Cash	443.50	
	591-000-000-040-000	Accounts Receivable		26,052.90
	591-000-000-628-001	PRP Air Stripper Reimbursement	20,179.08	
	591-000-000-628-002	PRP Air Stripper Proj 2 Reimburs	5,272.32	
	591-000-000-629-002	Lab Service	158.00	
	<b>To reconcile Misc A/R</b>			

5	591-000-000-137-000	Acc. Depr. - Buildings		588.13
	591-000-000-145-000	Acc. Depr. - Equipment		183.00
	591-000-000-153-000	Acc. Depr. - Water System		7,959.06
	591-536-003-968-000	Depreciation Expense	8,730.19	
	<b>To adjust depreciation balances to schedule</b>			
6	591-000-000-040-000	Accounts Receivable	32,341.03	
	591-00-000-628-001	PRP Air Stripper Reimbursement		32,341.03
	<b>To accrue estimated billing for PRP1 for 06/30/07 quarter</b>			
7	591-536-003-702-000	Wages	2,092.64	
	591-536-005-702-000	Wages	2,311.30	
	591-536-006-702-000	Wages	1,046.29	
	591-000-000-257-000	Accrued Wages		5,450.23
	<b>To record accrued wages</b>			

#### **DATA PROCESSING FUND**

1	636-228-000-702-000	Wages	417.98	
	636-000-000-257-000	Accrued Wages		417.98
	<b>To record accrued wages</b>			
2	636-000-000-391-000	Net Assets	39.98	
	636-280-000-740-000	Operating Supplies		39.98
	<b>To adjust net assets to 2006 financial statements</b>			

#### **INTERNAL SERVICE FUND**

1	641-000-000-276-000	Due to Utility Customer	1.75	
	641-000-000-630-000	Meter Replacement Revenue		1.75
	To zero Due to account at 06/30/07			
2	641-292-000-702-000	Wages	560.00	
	641-441-000-702-000	Wages	2,496.82	
	641-000-000-257-000	Accrued Wages		3,056.82
	<b>To record accrued wages</b>			
3	641-441-000-728-000	Operating Supplies	20,259.73	
	641-000-000-111-000	Inventory		20,259.73
	<b>To adjust inventory to actual</b>			

City of Clare  
Year End Adjustments  
June 30, 2006

Reference	Account Number	Account Description	Debit	Credit
A	202.000.000.001.000	Cash		36,008.00
	202.000.000.214.203	Due to Local Street Fund	36,008.00	
	203.000.000.672.002	West 7th Street Assessment	36,008.00	
	203.000.000.676.002	Due from Major Street Fund		36,008.00
		To correct the coding of the annual transfer.		
B	202.000.000.001.000	Cash	8,000.00	
	202.000.000.214.203	Due to Local Street Fund		8,000.00
	203.000.000.001.000	Cash		8,000.00
	203.000.000.084.202	Due from Major Street Fund	8,000.00	
		To reduce amount paid to the Local Street Fund to show a positive cash balance in the Major Street Fund at June 30, 2006.		
C	101.000.000.048.703	Due from Tax Fund	548.06	
	101.000.000.664.000	Interest and dividends		548.06
		To record the amount due from the Tax fund at June 30, 2006.		
D	101.290.000.969.203	Contribution to Local Street Fund		15,921.00
	101.290.000.969.206	Contribution to Fire Fund		66,148.00
	101.290.000.969.403	Contribution to Public Safety		18,757.53
	101.290.000.969.591	Hydrant Rental		35,319.00
	101.955.000.999.000	Transfers out		60,189.00
	101.999.000.999.203	Transfers out - Local Street Fund	21,228.00	
	101.999.000.999.206	Transfers out - Fire Fund	102,592.00	
	101.999.000.999.303	Transfers out - Public Safety Fund	37,195.53	
	101.999.000.999.591	Transfers out - Water Fund	35,319.00	
	206.336.000.931.000	Repairs - equipment	105.96	
	206.336.000.969.403	To Public Safety Building		105.96
		To reconcile interfund transfers and to correct coding errors.		
E	206.336.000.930.000	Repairs - Buildings and Grounds	22.58	
	206.336.000.943.000	Equipment rental		22.58
	641.000.000.001.000	Cash	2,062.00	
	641.000.000.001.000	Cash		4,708.00
	641.000.000.669.402	Equipment rentals - Sidewalks		2,062.00
	641.000.000.669.591	Water fund rentals	13,913.00	
	641.000.000.676.593	Meter reading Water Fund		9,205.00
		To reconcile Mobile Equipment activity.		
F	303.000.000.001.000	Cash		13,775.00
	303.000.000.676.101	Transfer from General Fund	8,265.00	
	303.000.000.676.206	Transfer from Fire Fund	5,510.00	
	590.000.000.304.000	FmHA Bonds Payable	4,000.00	
	590.000.000.001.000	Cash		13,775.00
	590.612.000.997.013	Interest expense	9,775.00	
	303.223.000.991.000	Principal payment		4,000.00
	303.223.000.995.000	Bond interest fees		9,775.00
	303.000.000.001.000	Cash	13,775.00	
	206.336.000.969.403	To Public Safety debt service		5,510.00
	206.000.000.001.000	Cash	5,510.00	
	101.000.000.001.000	Cash	8,265.00	
	101.999.000.999.303	Transfer to Public Safety debt service		8,265.00
		To reconcile interfund activity by correcting journal entries 153827 and 153771.		
G	641.000.000.001.000	Cash	100,000.00	
	641.000.000.003.000	Repurchase agreements		100,000.00
	641.000.000.048.203	Due from Local Street Fund	18,890.00	
	641.000.000.084.203	Due from Local Street Fund		18,890.00
		To correct duplicate entries.		
H	590.000.000.256.000	Accrued interest payable	1,770.83	
	590.612.000.995.005	Interest expense		1,770.83
	591.000.000.256.000	Accrued interest payable	208.33	
	591.614.000.998.003	Interest expense		208.33
		To adjust accrued interest payable to scheduled amount at June 30, 2006,		

City of Clare  
Year End Adjustments  
June 30, 2006

Reference	Account Number	Account Description	Debit	Credit
	590.000.000.111.000	Inventory	10,187.16	
	590.611.000.740.000	Supplies		10,187.16
	591.000.000.111.000	Inventory	6,623.67	
	591.611.000.743.000	Supplies		6,623.67
		To adjust inventory to John Holland's compilation at June 30, 2006.		
J	641.000.000.109.000	Inventory		926.83
	641.000.000.084.202	Due from Major Street Fund	455.00	
	641.000.000.084.203	Due from Local Street Fund	430.50	
	641.000.000.084.101	Due from General Fund	41.30	
	202.463.000.740.000	Operating supplies	455.00	
	202.000.000.214.641	Due to Mobile Equipment Fund		455.00
	203.463.000.740.000	Operating supplies	430.50	
	203.000.000.214.641	Due to Mobile Equipment Fund		430.50
	101.265.000.740.000	Operating supplies	41.30	
	101.000.000.214.641	Due to Mobile Equipment Fund		41.30
		To record cold patch "sold" to various functions during fiscal 2006 from Cathy Davis's schedule.		
K	641.000.000.109.000	Inventory		6,097.21
	641.000.000.084.202	Due from Major Street	4,945.52	
	641.000.000.084.203	Due from Local Street	886.10	
	641.000.000.084.101	Due from General Fund	265.59	
	202.000.000.214.641	Due to Mobile Equipment		4,945.52
	202.463.000.740.479	Operating supplies - snow/ice	1,004.95	
	202.487.000.740.492	Operating supplies - snow/ice	3,940.57	
	203.000.000.214.641	Due to Mobile Equipment		886.10
	203.463.000.740.479	Operating supplies - snow/ice	886.10	
	101.000.000.214.641	Due to Mobile Equipment		265.59
	101.265.000.740.000	Operating supplies - snow/ice	265.59	
		To record salt "sold" to various functions during fiscal 2006 from Cathy Davis' schedule.		
L	641.000.000.111.000	Inventory	8,283.31	
	641.270.000.781.000	Repair parts		8,283.31
		To adjust inventory to Bob Bonham's compilation at June 30, 2006.		
M	101.000.000.111.001	Inventory - Airport Fuel	15,948.96	
	101.537.000.924.000	Aviation fuel purchases		15,948.96
		To record the estimated value of aviation fuel on hand at June 30, 2006.		
N	101.209.000.702.000	Wages		645.00
	101.209.000.715.001	Payroll taxes		49.34
	101.000.000.001.000	Cash	694.34	
		To correct Brian Allen's payroll for January 5, 2006; payroll recorded three times, but only one was reversed.		
O	101.209.000.702.000	Wages	1,426.11	
	101.301.000.702.000	Wages		1,426.11
		To correct Neil Hammerbacher's sick time wages, which were charged to the Police Department because of incorrect coding. Corrected coding with chart of account changes.		
P	101.209.000.712.000	Fees and per diem		331.50
	101.209.000.715.001	Payroll taxes		22.88
	101.247.000.702.000	Wages	331.50	
	101.247.000.715.001	Payroll taxes	22.88	
		To correct the coding for Jan Winter's Board of Review wages charged to the Property tax administration activity. Still need to correct the coding.		
Q	101.209.000.716.000	Fringe benefits	29,157.36	
	101.209.000.716.000	Fringe benefits	5,908.92	
	101.691.000.716.000	Fringe benefits	6,415.31	
	101.000.000.001.000	Cash		41,481.59
		To correct the amount paid for health insurance for the police, treasurer and park's manager.		
R	101.172.000.715.001	Payroll taxes		5,661.76
	101.172.000.718.000	Retirement	6,960.84	
	101.000.000.258.000	Accrued taxes and benefits payable		1,299.08



City of Clare  
Year End Adjustments  
June 30, 2006

Reference	Account Number	Account Description	Debit	Credit
		To correct the recording of Ken Hibi's retirement payments charged to payroll taxes and at only 10% instead of 11% per his contract.		
S	101.000.000.040.000	Due from DDA	927.36	
	101.000.000.001.000	Cash		927.36
	210.000.000.214.101	Due to the City of Clare		927.36
	210.747.002.801.012	Professional and contractual services	927.36	
		To correct the recording of Abby Kulick's sick pay.		
T	101.253.000.702.000	Wages	1,600.00	
	101.253.000.716.000	Fringe benefits		1,600.00
		To reclass health insurance buy as wages for Kay Haven. Need to fix coding.		
U	101.301.000.702.000	Wages	505.28	
	101.000.000.101.000	Cash		505.28
		To correct the recording of Jeremy McGraw's vacation pay.		
V	206.336.000.702.000	Wages	350.00	
	206.000.000.001.000	Cash		350.00
	101.301.000.702.000	Wages		350.00
	101.000.000.001.000	Cash	350.00	
		To correct the recording of Dennis Koch's pay for the October 13, 2005 pay.		
W	206.336.000.702.000	Wages - fire department	3,506.75	
	206.336.000.740.000	Operating supplies		3,506.75
		To record reconciliation of recorded wages to employee earnings records, adjusted for beginning and ending accrued wages.		
X	704.000.000.001.000	Cash	1,161.87	
	704.000.000.231.002	Due to MERS		1,161.87
	101.000.000.040.271	Due from Library	897.58	
	101.000.000.001.000	Cash		897.58
		To correct the MERS activity for Pam McKnight. Need to fix coding.		
Y	101.301.000.718.000	Retirement	3,773.29	
	101.209.000.718.000	Retirement	249.61	
	101.691.000.718.000	Retirement	1,489.21	
	101.253.000.718.000	Retirement	479.42	
	101.000.000.001.000	Cash		5,991.53
	636.000.000.001.000	Cash	136.38	
	636.280.000.718.000	Retirement		136.38
		To adjust retirement expense to calculated amounts for police, treasurer, clerk, dept. clerk and parks.		
Z	101.000.000.001.000	Cash		3,502.63
	101.546.000.716.000	Fringe benefits	3,502.63	
	641.000.000.001.000	Cash	3,502.63	
	641.270.000.716.000	Fringe benefits		3,502.63
		To re-apply HRA amounts from Mobile Equipment.		
AA	590.000.000.001.000	Cash		3,910.69
	590.000.000.629.000	Service metered OM	3,910.69	
		To reverse the duplicate, August entry for recording the State's payment for the Mackie rest area.		
AB	590.000.000.001.000	Cash		3,181.57
	590.000.000.629.000	Service metered OM	3,181.57	
		To reverse the duplicate, September entry for recording the State's payment for the Mackie rest area.		
AC	590.000.000.001.000	Cash		3,181.57
	590.000.000.629.000	Service metered OM	3,181.57	
		To reverse the duplicate, October entry for recording the State's payment for the Mackie rest area.		
AD	101.000.000.001.000	Cash		1,996.75
	101.000.000.214.729	Due to other governmental units	1,996.75	

City of Clare  
Year End Adjustments  
June 30, 2006

Reference	Account Number	Account Description	Debit	Credit
		To reverse the duplicate, November entry for recording the State's payment for the Mackie rest area.		
AE	590.000.000.001.000	Cash		3,337.81
	590.000.000.629.000	Service metered OM	3,337.81	
		To reverse the duplicate, December entry for recording the State's payment for the Mackie rest area.		
AF	590.000.000.001.000	Cash		1,736.35
	590.000.000.629.000	Service metered OM	1,736.35	
		To reverse the duplicate, January entry for recording the State's payment for the Mackie rest area.		
AG	590.000.000.001.000	Cash		1,102.71
	590.000.000.629.000	Service metered OM	1,102.71	
		To reverse the duplicate, February entry for recording the State's payment for the Mackie rest area.		
AH	590.000.000.001.000	Cash		1,293.67
	590.000.000.629.000	Service metered OM	1,293.67	
		To reverse the duplicate, March entry for recording the State's payment for the Mackie rest area.		
AI	590.000.000.001.000	Cash		1,276.31
	590.000.000.629.000	Service metered OM	1,276.31	
		To reverse the duplicate, April entry for recording the State's payment for the Mackie rest area.		
AJ	590.000.000.001.000	Cash		1,384.81
	590.000.000.629.000	Service metered OM	1,384.81	
		To reverse the duplicate, May entry for recording the State's payment for the Mackie rest area.		
AK	590.000.000.001.000	Cash		1,562.75
	590.000.000.629.000	Service metered OM	1,562.75	
		To reverse the duplicate, June entry for recording the State's payment for the Mackie rest area.		
AL	101.000.000.001.000	Cash		37.60
	101.000.000.214.729	Due to other governmental units	37.60	
		To reverse the duplicate, September entry for recording the State's payment for the Secretary of State office.		
AM	590.000.000.001.000	Cash		37.60
	590.000.000.629.000	Service metered OM	37.60	
		To reverse the duplicate, November entry for recording the State's payment for the Secretary of State office.		
AN		No entry		
AO	591.000.000.001.000	Cash		31.76
	591.000.000.629.000	Service metered OM	31.76	
		To reverse the duplicate, December entry for recording the State's payment for the Secretary of State office.		
AP	591.000.000.001.000	Cash		37.60
	591.000.000.629.000	Service metered OM	37.60	
		To reverse the duplicate, January entry for recording the State's payment for the Secretary of State office.		
AQ	591.000.000.001.000	Cash		37.60
	591.000.000.629.000	Service metered OM	37.60	
		To reverse the duplicate, February entry for recording the State's payment for the Secretary of State office.		
AR	591.000.000.001.000	Cash		37.60
	591.000.000.629.000	Service metered OM	37.60	

City of Clare  
Year End Adjustments  
June 30, 2006

Reference	Account Number	Account Description	Debit	Credit
		To reverse the duplicate, March entry for recording the State's payment for the Secretary of State office.		
AS	591.000.000.001.000	Cash		43.44
	591.000.000.629.000	Service metered OM	43.44	
		To reverse the duplicate, April entry for recording the State's payment for the Secretary of State office.		
AT	591.000.000.001.000	Cash		37.60
	591.000.000.629.000	Service metered OM	37.60	
		To reverse the duplicate, April entry for recording the State's payment for the Secretary of State office.		
AU	591.000.000.001.000	Cash		31.76
	591.000.000.629.000	Service metered OM	31.76	
		To reverse the duplicate, May entry for recording the State's payment for the Secretary of State office.		
AV	591.000.000.001.000	Cash		37.60
	591.000.000.629.000	Service metered OM	37.60	
		To reverse the duplicate, June entry for recording the State's payment for the Secretary of State office.		
AW	590.000.000.001.000	Cash		384.00
	590.000.000.629.000	Service metered OM	384.00	
		To reverse the duplicate entries for recording the State's payment for lab service.		
AX	101.000.000.001.000	Cash	2,350.76	
	101.000.000.671.008	Airport fuel sales		2,400.72
	101.537.000.924.001	Aviation fuel charge card fees	49.96	
		To record the August 30, 2005 credit card receipts for airport fuel sales.		
AY	101.000.000.001.000	Cash	1,642.99	
	101.000.000.671.008	Airport fuel sales		1,676.53
	101.537.000.924.001	Aviation fuel charge card fees	33.54	
		To record the November 1, 2005 credit card receipts for airport fuel sales.		
AZ	101.000.000.001.000	Cash	2,834.02	
	101.000.000.671.008	Airport fuel sales		2,891.85
	101.537.000.924.001	Aviation fuel charge card fees	57.83	
		To record the March 3 and 10, 2006 credit card receipts for airport fuel sales.		
BA	101.000.000.001.000	Cash	2,448.24	
	101.000.000.671.008	Airport fuel sales		2,498.19
	101.537.000.924.001	Aviation fuel charge card fees	49.95	
		To record the April 21, 2006 credit card receipts for airport fuel sales.		
BB	101.000.000.001.000	Cash	3,999.02	
	101.000.000.671.008	Airport fuel sales		4,081.59
	101.537.000.924.001	Aviation fuel charge card fees	82.57	
		To record the May 12, 2006 credit card receipts for airport fuel sales.		
BC	101.000.000.001.000	Cash	405.33	
	101.000.000.640.000	Garbage collection fees		385.58
	101.000.000.694.000	Miscellaneous income		19.75
	206.000.000.001.000	Cash	393.50	
	206.000.000.607.100	Vehicle responses		393.50
	590.000.000.001.000	Cash	3,778.87	
	590.000.000.629.000	Serv metered OM		3,778.87
	591.000.000.001.000	Cash	1,432.68	
	591.000.000.629.000	Serv metered OM		1,432.68
	641.000.000.001.000	Cash	54.20	
	641.000.000.630.00	Meter replacement revenue		54.20
		To record the June 30 receipt activity deposited July 1, 2006.		

City of Clare  
Year End Adjustments  
June 30, 2006

Reference	Account Number	Account Description	Debit	Credit
BD	206.000.000.001.000	Cash		25,000.00
	206.000.000.003.000	Repurchase agreements	25,000.00	
	402.000.000.001.000	Cash		12,500.00
	402.000.000.003.000	Repurchase agreements	12,500.00	
	590.000.000.001.000	Cash		25,000.00
	590.000.000.003.000	Repurchase agreements	25,000.00	
	591.000.000.001.000	Cash		25,000.00
	591.000.000.003.000	Repurchase agreements	25,000.00	
	641.000.000.001.000	Cash		37,500.00
	641.000.000.003.000	Repurchase agreements	37,500.00	
	711.000.000.001.000	Cash		25,000.00
	711.000.000.003.000	Repurchase agreements	25,000.00	
		To reallocate cash and investment balances at June 30, 2006		
BE	210.747.001.801.000	Professional and contractual - legal fees	26,558.23	
	210.000.000.202.000	Accounts payable		26,558.23
		To accrue Miller, Canfield, Paddock and Stone legal fees as of June 30, 2006 per their legal representation letter.		
BF	202.000.000.001.000	Cash	13,448.61	
	202.000.000.569.000	ACT 51 Revenue		13,448.61
	203.000.000.001.000	Cash	5,985.24	
	203.000.000.569.000	ACT 51 Revenue		5,985.24
		To record the May 3, 2006 payment from the State for ACT 51 revenues.		
BG	206.000.000.001.000	Cash	23.66	
	206.000.000.664.000	Interest and dividends		23.66
	101.000.000.001.000	Cash	928.30	
	101.000.000.664.000	Interest and dividends		928.30
	202.000.000.001.000	Cash	1.78	
	202.000.000.664.000	Interest and dividends		1.78
	203.000.000.001.000	Cash	6.10	
	203.000.000.664.000	Interest and dividends		6.10
	206.000.000.001.000	Cash	167.07	
	206.000.000.664.000	Interest and dividends		167.07
	402.000.000.001.000	Cash	24.92	
	402.000.000.664.000	Interest and dividends		24.92
	590.000.000.001.000	Cash	859.16	
	590.000.000.664.000	Interest and dividends		859.16
	591.000.000.001.000	Cash	471.88	
	591.000.000.664.000	Interest and dividends		471.88
	636.000.000.001.000	Cash	23.88	
	636.000.000.664.000	Interest and dividends		23.88
	641.000.000.001.000	Cash	98.11	
	641.000.000.664.000	Interest and dividends		98.11
	711.000.000.001.000	Cash	330.03	
	711.000.000.664.000	Interest and dividends		330.03
		To record the November 30 (Fire only) and May 24 interest receipts.		
BH	101.000.000.001.000	Cash		2,321.58
	101.000.000.671.008	Airport fuel sales	2,321.58	
	101.000.000.001.000	Cash		3,473.82
	101.000.000.671.008	Airport fuel sales	3,473.82	
		To reverse the April 12 and April 24 fuel sales recorded by Kendra Deering in the cash receipts module. All other recordings have been through journal entries.		
BI	101.000.000.001.000	Cash		980.65
	101.000.000.233.000	Blue Cross Retiree Group	980.65	
		To reverse the October 6, 2005 duplicate posting for Mike Becker's health insurance premium.		
BJ	641.000.000.001.000	Cash		939.20
	641.270.000.716.000	Fringe benefits	939.20	
		To reverse the October 10, 2005 duplicate posting for Bob Bonham's insurances. Bob had to pay for one month when he retired and then came back.		
BK	101.000.000.001.000	Cash		467.34

City of Clare  
Year End Adjustments  
June 30, 2006

Reference	Account Number	Account Description	Debit	Credit
	101.000.000.233.000	Blue Cross Retiree Group To reverse the March 20, 2006 duplicate posting for Bonnie Sweet's health insurance premium.	467.34	
BL	101.000.000.001.000	Cash		1,032.47
	101.000.000.233.000	Blue Cross Retiree Group To reverse the April 10, 2006 duplicate posting for Tim Ryneerson's health insurance premium.	1,032.47	
BM	101.000.000.001.000	Cash		128.00
	101.000.000.610.000	Fees To reverse the April 10, 2006 duplicate posting for the Coleman's invoices.	128.00	
BN	101.000.000.001.000	Cash		52.00
	101.000.000.610.000	Fees To reverse the April 10, 2006 duplicate posting for the Doherty's invoices.	52.00	
BO	101.000.000.001.000	Cash		980.65
	101.000.000.233.000	Blue Cross Retiree Group To reverse the June 1, 2006 duplicate posting for Mike Becker's health insurance premium.	980.65	
BP	101.000.000.001.000	Cash		467.34
	101.000.000.233.000	Blue Cross Retiree Group To reverse the March 20, 2006 duplicate posting for Bonnie Sweet's health insurance premium.	467.34	
BQ	101.000.000.001.000	Cash		45.00
	101.000.000.607.000	Charges for services To reverse the November 18, 2005 duplicate posting for Nilo Ramos's lot mowing	45.00	
BR	101.000.000.001.000	Cash		57.18
	101.000.000.640.000	Garbage collection fees	57.18	
	590.000.000.001.000	Cash		60.61
	590.000.000.629.000	Served metered OM	60.61	
	591.000.000.001.000	Cash		47.85
	591.000.000.629.000	Served metered OM	47.85	
	641.000.000.001.000	Cash		4.04
	641.000.000.630.000	Meter replacement revenues To reverse the July 19, 2005 duplicate posting for utility billing. Amount deposited into the tax account and previously transferred.	4.04	
BS	101.526.000.801.000	Legal fees	1,062.50	
	101.000.000.202.000	Accounts payable To accrue Varnum attorney fees through June 30, 2006.		1,062.50
BT	303.223.000.991.000	Principal		14,000.00
	303.223.000.995.000	Interest and fiscal charges To correct the recording of debt payments for the public safety building.	14,000.00	